Annual Report 2019

Adform A/S

Wildersgade 10 B, 1. floor, 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. floor, 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	Torben Brandt Munch, Chairman Lars Dybkjær, Vice Chairman Lars Christian Lunde Peter Thorlund Haahr Jakob Toftgaard Bak
Executive Board	Troels Philip Jensen Christian Duus
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 2000 Frederiksberg, Denmark

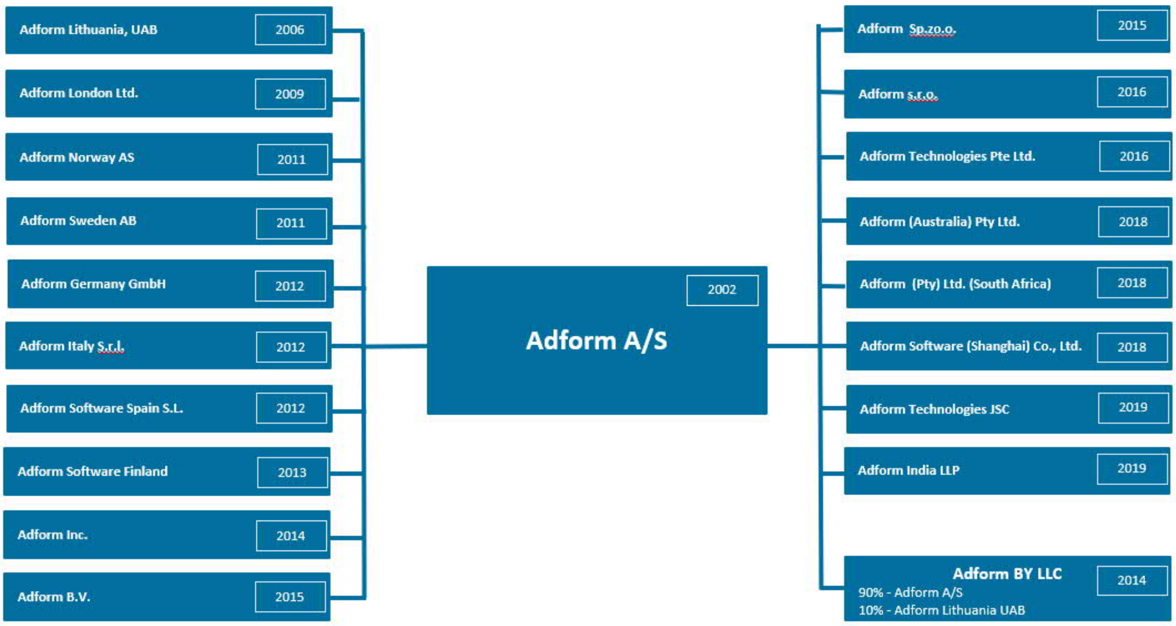
Management's review - continued

Group legal structure

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

All subsidiaries are 100% direct owned by Adform A/S, except for Adform BY LCC in Belarus which is 10% owned by Adform Lithuania UAB.

Figure 1: Group legal structure

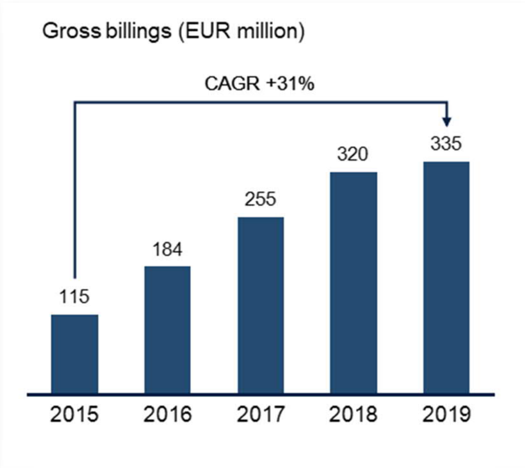


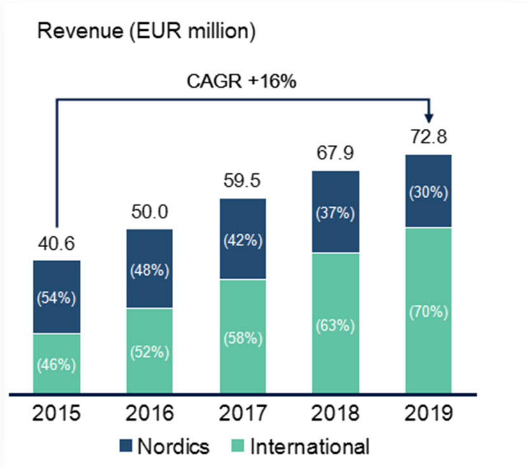
Year referenced in the chart indicates year of incorporation

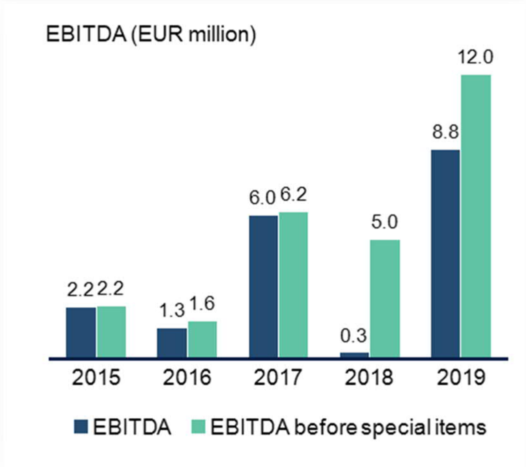
Management's review - continued

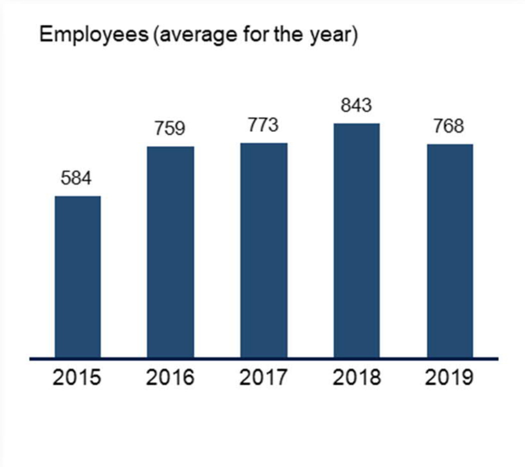
Financial highlights for the Group

As introduction to the financial performance of Adform, we highlight and visualize four key developments:









Management's review - continued

In the following summary financial figures are provided for comparison over the past 5 years:

EUR'000	2015	2016	2017	2018	2019
Key figures					
Gross billings[1]	115,372	184,026	255,495	319,779	335,017
Revenue	40,552	50,045	59,493	67,881	72,780
EBITDA[1]	2,206	1,318	6,038	279	8,805
EBITDA before special items[1,2]	2,225	1,600	6,223	5,030	11,966
Operating profit/loss (EBIT)	-390	-3,800	-1,337	-9,203	-4,712
Net financials	-109	-2,026	-3,021	-4,043	-3,226
Loss for the year	-638	-5,708	-2,582	-13,010	-7,718
Total assets	47,029	83,128	106,690	117,304	135,527
Capitalised development projects for the year	5,787	7,510	7,701	7,847	6,054
Investments in tangible assets for the year	5,097	4,734	4,287	1,570	569
NIBD[1]	-4,073	-12,955	-15,384	-11,477	-4,423
Equity	13,458	10,385	8,027	-1,329	20,026
Cash flow from operating activities	4,272	3,097	12,111	15,884	4,966
Cash flow from investing activities	-8,770	-12,968	-9,673	-9,836	-7,013
Cash flow from financing activities	3,844	18,378	1,492	-37	4,897
Net cash flow	-654	8,507	3,930	6,011	2,850
Financial ratios					
Gross billings[1] growth, %	61.9%	59.5%	38.8%	25.2%	4.8%
Revenue growth, %	48.7%	23.4%	18.9%	14.1%	7.2%
Gross margin, %	84.5%	92.9%	92.0%	88.9%	91.8%
EBITDA[1] margin, %	5.4%	2.6%	10.1%	0.4%	12.1%
EBIT margin, %	-1.0%	-7.6%	-2.2%	-13.6%	-6.5%
Equity ratio, %	28.6%	12.5%	7.5%	-1.1%	14.8%
NIBD[1]/EBITDA[1]	-1.8	-9.8	-2.5	-41.5	-0.5
Earnings per share, basic, EUR	-0.01	-0.11	-0.05	-0.26	-0.11
Earnings per share, diluted, EUR	-0.01	-0.11	-0.05	-0.24	-0.10
Average number of employees	584	759	773	843	768

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

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

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

Management's review - continued

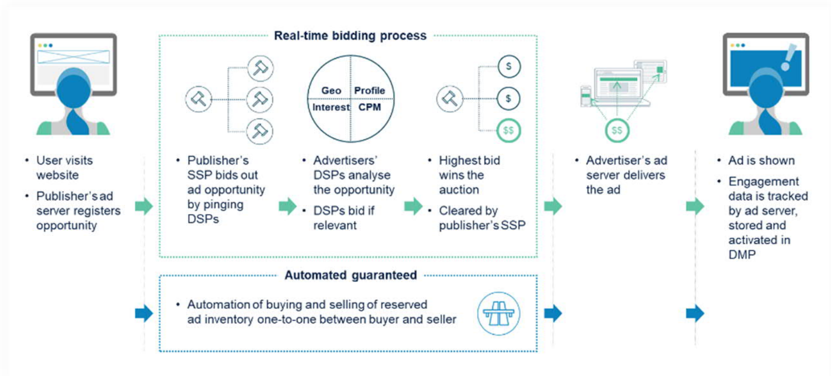
Business overview

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 to provide the software systems that buyers and sellers of digital display advertising use to automate their advertising processes.

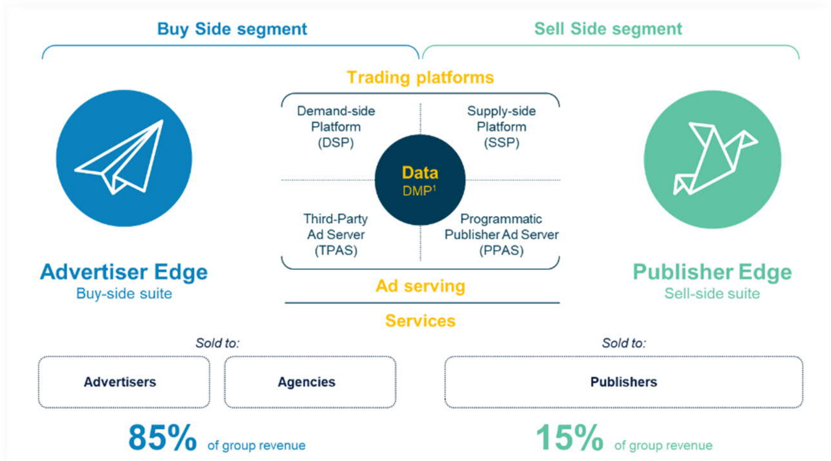
Figure 2: Automation of the digital marketing process through real-time bidding or automated guaranteed



The above 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 play a role in the digital advertising 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).

Figure 3: Overview of Adform's products categories



Management's review - continued

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 offer additional benefits 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 of 31 December 2019, Adform has a presence in 16 countries in Europe as well as positions in the U.S., Turkey, Singapore, China, Australia, United Arab Emirates (Dubai) and India. In total, Adform has a sizeable sales and operations footprint counting 28 offices in 25 countries globally.

Average number of Adform employees amounted to 768 in 2019. While Adform is headquartered in Copenhagen, the majority of the employees are located in the Group's offices in Central Eastern Europe. Adform's largest presence in the region is in Lithuania where a software development site was set up in 2006 and where Adform is established as an well-reputed employer and 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 by establishing software development sites in Belarus, Poland and a smaller site in Malaysia.

Headlines for the Group in 2019

- During 2019 Management focused on balancing revenue growth and costs management with aim of improving overall profitability of the Group for the year and going forward.
    - The company undertook a number of restructuring exercises to structurally lower the cost base of the company, which – among other things - meant that number of employees decreased from 884 as of 31 December 2018 to 681 as of 31 December 2019. Restructuring costs in 2019 amounted to EUR 2.4 million.
    - In terms of sales, focus was in particular on growing the international activities of the Group and consolidating the company's market position in Nordics. Revenue in 2019 amounted to EUR 72.8 million, compared to EUR 67.9 million in 2018 and corresponding to a revenue growth of 7%.
    - Altogether, the Group realized a loss for the year of EUR 7.7 million, which was a significant improvement compared to a loss of EUR 13.0 million in 2018.
- In order to strengthen the Group's equity and liquidity and to support the continued development and growth of Adform's business, the existing shareholders and Adform A/S signed an Investment Agreement with GRO Capital on 4 April 2019, following which GRO Capital made an equity injection of EUR 30 million in Adform A/S.
- As part of the Investment Agreement with GRO Capital, amendments were made in respect of the existing secured loan agreement with Danica Pension. Adform redeemed 50% of the accumulated debt, amounting to EUR 13 million. As part of the amendments, the future interest is payable quarterly, the future interest rate has been modified, and the financial covenants have been adjusted.
- In 2019, Adform recognised accelerated expenses of EUR 0.6 million in respect of share-based compensation due to a new initiated warrant programme, under which a number of employees have been granted warrants.
- As of 31 December 2019, Adform had presence in 16 countries in Europe as well as positions in the U.S., Turkey, Singapore, China, Australia, United Arab Emirates (Dubai) and India. In total, Adform has a footprint counting 28 offices in 25 countries, globally.
- Adform had 681 employees as of 31 December 2019. While still headquartered in Copenhagen, the majority of the employees are located in the Group's offices in Central Eastern Europe.

Management's review - continued

Follow up on financial guidance

In accordance with expectations for 2019, as described in the annual report for 2018, the Group realised a substantial improvement in EBITDA from EUR 0.3 million in 2018 to EUR 8.8 million in 2019.

The Group did however not fulfil the expectations of realizing double-digit revenue growth for 2019, as the recorded YoY revenue growth amounted to 7.2%. The shortfall in revenue growth was primarily a result of intensified competition in the Nordics and hence lower revenue realization for the region that expected.

Revenue growth

Adform's revenues grew altogether 7.2% compared to 2018. Revenue growth was primarily driven by an increase in international business activity. Nordic revenues decreased 12.1% in 2019, whereas International revenues (i.e. non-Nordic revenues) grew 18.7% compared to 2018.

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

Nordic revenues were impacted by intensified competition across all markets, as well as a structural decline in marketing spend by the gambling sector in Sweden due to changes in (license) legislation and in Finland due to heightened governmental and public examination.

Revenues from Buy Side activities grew 7% in 2019 compared to 2018, driven in particular by DSP and DMP revenues. Buy Side revenues altogether accounted for 85% of total Group revenue, compared to 84% in 2018.

Revenues from Sell Side activities grew 6% in 2019 compared to 2018, driven by growth across the sell-side product portfolio. Sell Side revenues altogether accounted for 15% of total Group revenue in 2019, compared to 16% in 2018.

Broad sales presence

Adform is 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 considerably strengthen its position in US market during 2019 increasing revenues by 96%.

Furthermore, Adform continued to build business in markets recently entered, including Australia, Dubai, India and Johannesburg.

Adform's global network now spans 28 offices in 25 countries as of 31 December 2019. International revenue accounted for 70% of total revenue in 2019, compared to 63% in 2018.

Continued attractive market conditions

Adform continued to benefit from attractive industry fundamentals and 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.

Management’s review - continued

Strengthened product and technology platform

Adform is well positioned to address critical challenges in the digital advertising process 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).

Adform's platform is built organically over time with common principles in mind. Over recent years there has been an increased focus on the use of a consistent and common platform architecture across all products as to capture cost efficiencies in maintaining and building out the platform.

Adform sustained its investments in hardware infrastructure, platform architecture and applications for both buy-side and sell-side customers through 2019. Total incurred research and development costs amounted to EUR 23 million in 2019. Capitalised development costs related to platform architecture and applications amounted to EUR 6 million, while investments in data centres and equipment totalled EUR 4 million. In 2019 the amortization of Capitalised development costs where higher than capitalized costs during the year by EUR 40 thousand.

Adform believes it has a proven ability to deliver high-performing services, and the Group has successfully achieved international recognition in this regard. During September 2019 Gartner positioned Adform as a Leader in its Magic Quadrant for Ad Tech.

Furthermore, Adform maintained and continued a number of important accreditations and certifications including MRC accreditation, being ISO/IEC 27001 certified for Information Security Management, which is critical for compliance and security purposes, EDAA Trust Seal Certified, IAB Standards certified, IAB Gold Standards certified (UK), and TAG Certified Against Fraud.

Strong organisation with technology and customer focus

Adform is a technology and customer-focused organisation with the majority of its employees engaged in software development and IT and 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, Poland 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.

Financial review
Income statement

Total revenues for the Group amounted to EUR 72.8 million in 2019, corresponding to a revenue growth of 7.2% compared to EUR 67.9 million in 2018.

Revenue growth was primarily driven by an increase in International business activities. In 2019 International revenue grew 18.7% compared to 2018, whereas Nordic revenue declined 12.1% compared to 2018. Nordic revenues accounted for 30.5% of total revenue in 2019 compared to 37.2% in 2018, while International revenues accounted for 69.5% of total revenue in 2019 compared to 62.8% in 2018.

Buy Side revenues grew 7.4% in 2019 and accounted for 84.6% of total revenues. Sell Side revenues grew 6.4% in 2019 and accounted for 15.4%. The increase in Sell Side revenues was driven by growth across the sell-side product portfolio.

EBITDA in 2019 amounted to EUR 8.8 million corresponding to an EBITDA margin of 12%, compared to an EBITDA of EUR 0.3 million (and EBITDA margin of 0.4%) in 2018. The improvement in EBITDA came mainly as a result of reduced staffing levels and related costs, together with the effect of implementing IFRS 16 ‘Leases’. Note EUR 3 million costs were reclassified to Depreciation and EUR 0.6 million to financial costs.

Management's review - continued

Below table bridges and explains the difference between Operating Profit/Loss (EBIT) according to the consolidated financial statements and EBITDA:

EUR'000	2019	2018
Operating loss (EBIT)	-4,712	-9,203
Amortisation and depreciation	13,517	9,482
EBITDA	8,805	279
Special items		
Non-qualifying funding costs regarding capital increase and IPO related costs (recognised in Administrations costs)	149	2,311
Share based payments (recognised in Operating expenses)	607	2,440
Restructuring costs (recognised in Operating expenses)	2,405	0
EBITDA before special items	11,966	5,030

EBIT in 2019 was a loss of EUR 4.7 million compared to a loss of EUR 9.2 million in 2018. The resulting EBIT margin was negative 6.5% in 2019 compared to negative 13.6% in 2018. The development in EBIT and EBIT margin was mainly due to reduced staffing levels and related costs, offset by increased amortization costs.

Net financial expenses in 2019 amounted to EUR 3.2 million, compared to EUR 4.0 million in 2018. Net financial expenses improved mainly due to lower foreign exchange losses.

Tax for the year in 2019 was an income of EUR 0.2 million.

Loss for the year in 2019 was EUR 7.7 million compared to a loss of EUR 13.0 million in 2018.

Cash flow

Cash flow from operating activities in 2019 was EUR 5.0 million, driven by a positive impact from adjustment of Amortization and Depreciation (EUR 13.5 million). The change in working capital was EUR 4.0 million negative due to increased Trade Receivables.

Cash flow from investing activities in 2019 was negative EUR 7.0 million compared to negative EUR 9.8 million in 2018. Investment in intangible assets in 2019 was EUR 2.1 million lower than in 2018.

Cash flow from financing activities in 2019 was positive EUR 4.9 million. Cash flow from financing activities was impacted by repayment of bank loan (EUR 12.9 million), and positive impact of EUR 30.1 million by the increase of capital.

Net cash flow in 2019 was positive EUR 2.9 million.

Balance sheet

The **balance sheet total** as of 31 December 2019 was EUR 135.5 million compared to EUR 117.3 million in 2018. The increase was primarily due to (1) implementation of IFRS 16 'Leases', (2) an increase in receivables and payables related to trading orders, and (3) increase of the Group's cash position through a capital increase.

Total equity as of 31 December 2019 was EUR 20.0 million, compared to negative EUR 1.3 million as of 31 December 2018. The change reflects the combined effect of the capital increase by GRO Capital and the loss for the year. In connection with the capital increase, the Group incurred expenses totalling EUR 1.7 million, of which EUR 1.5 million was recognized directly in equity

Management's review - continued

Net interest-bearing debt (NIBD) was negative EUR 4.4 million as of 31 December 2019 compared to negative EUR 11.5 million as of the 31 December 2018. NIBD was impacted by (1) the capital increase by GRO Capital, (2) offset with the partial redemption of 50% of the accumulated debt towards Danica Pension, and (3) the inclusion of operational lease obligations in accordance with IFRS 16 'Leases'.

EUR'000	**2019**	**2018**
Cash	23,279	20,540
Interest-bearing loans and borrowings, non-current	-22,948	-25.917
Interest-bearing loans and borrowings, current	-4,754	-6,100
NIBD (Net Interest-Bearing Debt)	-4,423	-11,477

Reference is made to note 1 in the consolidated financial statements in respect of financing and liquidity.

Events after the balance sheet date

After the reporting period, the global outbreak of coronavirus (COVID-19) has had a negative impact on the amounts advertisers spend on digital marketing activities globally. As a result, Management has noted a general decrease in campaign spend and in Adform's Buy Side revenues, starting in March 2020 and continuing until the date of approval of the annual report. COVID-19 has altogether led to a decline of approximately 15% in Adform's combined revenues in the impacted months compared to same period in 2018. Management believes the impact of COVID-19 on Adform is stabilizing at this level but expects COVID-19 will continue to have material negative impact on revenue generation in the mid-term.

Management quickly implemented a broad range of mitigating measures to minimise the negative effect on EBITDA, including temporary reduction of working days and salary for majority of all employees, use of aid packages for salary compensations, as well as aid packages allowing postponement of VAT payments.

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

The Management follows the situation closely, and continuously updates a number of financial planning scenarios as to qualify and quantify the potential effects on the business and guide Management and the Board of Directors in decision making.

There are no other materials events after the reporting period to be disclose.

Outlook for 2020

Adform initiated a transformation of the business in 2019 with a declared focus on 'profitable growth'. The transformation is proving successful and proceeding according to plan, and will continue into 2020. As a result, EBITDA before special items increased from EUR 5 million in 2018 to EUR 12 million in 2019.

At the outset of the year, Management planned with achieving high single digit revenue growth for 2020 and delivering a material improvement in EBITDA.

With the global outbreak of the Corona virus and subsequent drop in digital marketing budgets, it has been necessary for Management to revise its outlook and expectations for the year. At the date of approval of the annual report, Management expects flat to single digit decline in revenues compared to 2019. Management is committed to mitigate the revenue effects of the COVID-19 while at the same time safeguarding execution of the long-term strategy. EBITDA for 2020 is expected to land above 2019 levels but below initial plan.

The above reflects Management's outlook and expectations for 2020 at the time of approval of the annual report. Given the uncertainty around how the global Corona outbreak will unfold and impact customers buying patterns in the mid to long term, expectations are more uncertain than in a normal year and may therefore change over the course of the year.

Management's review - continued

Parent Company
The Parent Company administers a significant part of Group's sales activities. Total revenues of the Parent Company in 2019 amounted to EUR 64.7 million, compared to EUR 62.1 million in 2018 and corresponding to a revenue growth of 4%.

Revenue growth was primarily driven by increased International activities. In 2019, Nordic revenue declined 12% compared to 2018, whereas International revenue grew 15% compared to 2018. Nordic revenue accounted for 34% of total revenue in 2019 compared to 41% in 2018, while International revenue accounted for 66% of total revenue in 2019.

Buy Side revenues grew 3% in 2019 and accounted for 83% of total revenue. Sell Side revenue grew 8% and accounted for 17%. The increase in Sell Side revenues was driven by growth along the full suite of sell-side products.

EBIT in 2019 was a loss of EUR 7.5 million compared to a loss of EUR 12.0 million in 2018. The EBIT margin was negative 12% in 2019, compared to negative 19% in 2018.

Loss for the year in 2019 was EUR 6.7 million compared to a loss of EUR 12.2 million in 2018.

As of 31 December 2019, the Parent Company employed 29 individuals, primarily engaged with Management, Sales and Service activities. Other main activities such as finance, HR, product development and maintenance of the product platform 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, as well as gives a true and fair view of the Group's financial performance, the financial position and material risks. The procedures and controls are furthermore planned with a view to support the quality and efficiency of the Group's business processes and the safeguarding of the Group's assets.

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

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

Main commercial risks:

- Adform is dependent on its relationship with agencies and continued campaign activation using Adform's product platform. Adform does not have any exclusive relationships with agencies and they typically do not agree to any minimum spend or similar business volume guarantees towards Adform
- Adform is dependent on third-party providers and on obtaining access to third-party services at reasonable costs
- Adform faces potential liability and harm to its business based on human errors leading to overspend or unintended spend on its platform
- Adform's failure to meet content and ad inventory standards, customers' misuse of data or Adform's failure to prevent fraud and malware could harm its business. Hence, Adform may face legal claims or reputational damage due to actions of its customers

Management’s review – continued

Main financial risks

- Main financial risks including payment risk, credit risk, liquidity risk and currency risk are described in note 23 to the consolidated financial statement.
- Adform is subject to complex Danish and foreign direct or indirect tax laws as well as compliance and documentation requirements, and tax liabilities may therefore prove to be greater than anticipated

Main regulatory risks:

- The 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).
- GDPR and other regulation (e.g. ePrivacy, CCPA etc) are aimed at safeguarding the interests of the consumers and will continue to have significant impact for adtech and other players in the advertising industry in respect of reaching the audiences and the adtech industry’s use of unique identifiers. 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 and ensuring that the industry has the technical setups to comply with the regulation, e.g. IAB’s transparency and consent framework. Such developments will continue to unfold, and Adform will monitor these developments closely and analyse the effects and the need for changes following such decisions, new regulation as they are adopted and evolvement of the technical specifications as they are released. In addition, as Adform is an adtech provider may risk losing access to valuable data on which they have previously relied to enhance the value of their offerings. The added costs, regulatory requirements and complexities caused by GDPR, ePrivacy, CCPA and other regulations, including the various new decisions by courts and regulatory, will continue to unfold for Adform.

Main operational risks:

- Given the online nature of Adform’s business – being an online software platform - Adform's result of operations or business may be materially adverse affected by cyber-attacks, malicious actions or unintentional errors
- Given the nature of Adform’s business model (software online), Adform's result of operations or business may be adverse affected by technological errors and service disruptions
- Adform's execution capability and overall success heavily depends on its continued ability to hire, motivate and retain highly skilled employees

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

Management's review - continued

Corporate Governance

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

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

The Board of Directors serves as a highly qualified dialogue partner to Executive 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 consists of five members, and may appoint committees for special tasks.

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

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

Executive Board

The Executive Board consists of two members:

Troels Philip Jensen (born 1967, Danish nationality) joined Adform April 2020 and serves as Chief Executive Officer. Troels brings more than 25 years of experience in advanced software and FinTech. Before joining Adform, Troels served as COO at Itiviti AB and as Managing Director Western Europe at SimCorp. Troels sits on the Board for the Danish company, Boyum IT. Troels holds a master degree in International Business from the Copenhagen Business School.

Christian Duus (born 1974, Danish nationality) serves as Adform's Chief Financial Officer. Prior to this, he held the position of Senior Vice President of Corporate Development and Commercial Operations for Adform. Christian Duus brings more than 19 years of experience working with corporate strategy and business development, having worked for management consulting firm Bain & Co. focusing on the banking sector and digitalization, and led business development functions for Danish companies such as GN Store Nord and Søndagsavisen. Christian holds a master degree in Business Administration, Finance, and Accounting from Copenhagen Business School.

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

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

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

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

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

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 2019.

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 of 31 December 2019, and of the results of the Group's and parent company's operations and cash flows for the financial year 1 January – 31 December 2019.

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, 28 May 2020

Executive Board:

Troels Philip Jensen CEO	Lars Christian Salvador Duus CFO

Board of Directors:

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

Independent auditor's report

To the shareholders of Adform A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Adform A/S for the financial year 1 January – 31 December 2019, 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 2019 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 2019 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 controls 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 controls that we identify during our audit.

Copenhagen, 28 May 2020
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	2019	2018
2	Revenue	72,780	67,881
	Cost of sales	-5,941	-7,568
	Gross profit	66,839	60,313
3,4,5,6	Research and development costs	-26,578	-23,958
3,4	Sales and marketing expenses	-36,660	-36,687
3,4,7	Administrative expenses	-8,313	-8,871
	Operating loss (EBIT)	-4,712	-9,203
8	Financial income	3,023	3,270
9	Financial expenses	-6,249	-7,313
	Loss before tax	-7,938	-13,246
10	Tax for the year	220	236
	Loss for the year	-7,718	-13,010
	Attributable to:		
	Shareholders of Adform A/S	-7,718	-13,010
19	Earnings per share, basic (EUR)	-0.11	-0.26
19	Earnings per share, diluted (EUR)	-0.10	-0.24

Consolidated statement of comprehensive income

Note	EUR'000	2019	2018
	Loss for the year	-7,718	-13,010
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation	-169	140
	Other comprehensive income for the year, net of tax	-169	140
	Total comprehensive income for the year	-7,887	-12,870
	Attributable to:		
	Shareholders of Adform A/S	-7,887	-12,870

Consolidated financial statements 1 January – 31 December

Consolidated balance sheet

Note	EUR'000	2019	2018
	ASSETS		
	Non-current assets		
12	Intangible assets	21,132	21,388
13	Tangible assets	1,499	5,041
14	Right of use of assets	13,863	0
15	Deferred tax assets	1,489	735
16	Other non-current assets	619	633
	Total non-current assets	38,602	27,797
	Current assets		
17,18	Trade receivables	71,322	66,312
18	Other receivables	841	1,062
	Income tax receivables	129	72
	Prepayments	1,354	1,521
18	Cash	23,279	20,540
	Total current assets	96,925	89,507
	TOTAL ASSETS	135,527	117,304

Note	EUR'000	2019	2018
	EQUITY AND LIABILITIES		
1	**Equity**		
19	Share capital	93	69
	Foreign currency translation reserve	-118	51
	Retained earnings	20,051	-1,449
	Total equity	20,026	-1,329
	Non-current liabilities		
14,20,25	Interest-bearing loans and borrowings	22,948	25,917
15	Deferred tax liabilities	0	0
	Total non-current liabilities	22,948	25,917
	Current liabilities		
14,20,25	Interest-bearing loans and borrowings	4,754	6,100
21,25	Trade payables	79,789	78,655
	Income tax payables	129	99
22,25	Other liabilities	7,881	7,862
	Total current liabilities	92,553	92,716
	Total liabilities	115,501	118,633
	TOTAL EQUITY AND LIABILITIES	135,527	117,304

Consolidated financial statements 1 January – 31 December

Consolidated statement of changes in equity

2019

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

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	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

Consolidated financial statements 1 January – 31 December

Consolidated cash flow statement

Note	EUR'000	2019	2018
	Loss before tax	-7,938	-13,246
7	*Adjustment for:*		
	Amortisation and depreciation	13,517	9,480
8,9	Financial items, net (financial income and expenses)	3,226	4,043
	Other non-cash items	607	2,509
	Cash flow from operating activities before changes in working capital	9,412	2,786
	Changes in working capital	-3,429	12,837
	Cash flow from operations	5,983	15,623
	Financial costs, net	-430	-1,431
10	Income taxes paid/received	-587	1,692
	Cash flow from operating activities	**4,966**	**15,884**
13	Investments in intangible assets	-6,458	-8,601
14	Investments in tangible assets	-569	-1,570
	Of which not paid/or finance lease	0	326
16	Change in other non-current assets	14	9
	Cash flow from investing activities	**-7,013**	**-9,836**
25	Payment of lease commitments	-3,505	-985
9	Payment of lease interest	-823	-111
25	Repayment of bank overdraft	0	-2,852
25	Repayment of debt to credit institutions	-12,881	0
25	Payment of interest related to debt to credit institutions	-1,232	0
25	Proceeds from other interest-bearing debt and bank overdraft	0	1,501
25	Repayment of other interest-bearing debt	-5,297	0
25	Proceeds from capital increase	30,142	2,410
25	Expenses, capital increase	-1,507	0
	Cash flow from financing activities	**4,897**	**-37**
	Net cash flow	2,850	6,011
	Currency adjustments	-111	-44
	Cash, 1 January	20,540	14,573
	Cash[1] 31 December	**23,279**	**20,540**

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

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

[1] Cash comprises cash at bank and in hand

Consolidated financial statements 1 January – 31 December

Notes to the consolidated financial statements

Consolidated financial statements 1 January – 31 December

Notes

1 Financing and liquidity

In 2019, the existing shareholders and Adform A/S signed an Investment Agreement with GRO Capital, pursuant to which GRO Capital completed an equity injection of EUR 30 million in Adform A/S.

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

After the reporting period, the global outbreak of coronavirus (COVID-19) has had a negative impact on Adform's global trading. As a result, Management has noted a general decrease in revenue from March 2020 due to lower marketing spend by customers. As disclosed, the loan with the credit institution contains financial covenants which, if breached, could lead to extraordinary termination rights for the lender with potential payment obligations. Under the agreement, the covenant is monitored on a regular basis by Management and quarterly reported to ensure compliance with the agreement. As a result of the COVID-19 development, Management has identified a potential risk of future breach of its financial covenants in 2020.

Management has implemented a broad range of mitigating measures to minimise the effect and avoid the risk of future breach of its financial covenants. On the basis of the mitigating measures, the existing revolving credit facility with a financial institution of EUR 8.0 million and the updated financial forecasts for 2020, management believes that the risk of the covenant being breached is low. This is by nature uncertain due to the unpredictability of the effects from the virus outbreak. The development is monitored continuously.

Management is updating the credit institution on trading and financial outlook for the year on an ongoing basis, and if the financial covenants are breached, Management expects to obtain a waiver of the breach of covenant, which will ensure that the loan is not payable on demand.

As at 31 December 2019 the Group had a positive equity equal to EUR 20 million. Current assets amount to EUR 97 million with corresponding current liabilities of EUR 93 million. At 31 December 2019, debt towards credit institutions amounts to EUR 12,881 thousand.

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 play a role in the digital advertising process.

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

Revenue allocation by region:

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

EUR'000	2019	2018
Nordic	22,184	25,238
International	50,596	42,643
	72,780	67,881

Consolidated financial statements 1 January – 31 December

Notes

2 Revenue - continued

Revenues per customer category:

EUR'000	2019	2018
Revenue from Buy Side (comprises the fees paid by agencies and advertisers)	61,570	57,342
Revenue from Sell Side (comprises the fees paid by publishers)	11,210	10,539
	72,780	67,881

Revenues per product category:

EUR'000	2019	2018
Trading platforms	44,027	40,538
Ad serving	18,056	18,754
Data	8,540	6,469
Other Services	2,157	2,120
	72,780	67,881

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

EUR'000	2019	2018
Denmark	26,053	24,702
Lithuania	4,619	1,173
Other countries	5,822	554
Total non-current operating assets	36,494	26,429
Deferred tax assets and Other non-current assets	2,108	1,368
Total non-current assets	38,602	27,797

In 2019 and in 2018, 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 activity-based revenue, percent of media spend, revenue share, subscription-based and other fee models. Adform's gross billings include the value of clients' purchase of media through Adform's platform, plus platform and other fees. The value of media purchased, which is not attributable to Adform, is recognised as media costs and netted out from gross billings (non-IFRS) to revenue. Adform's revenue as a percentage of gross billings can fluctuate due to product mix, the types of services and features selected by clients through the Adform platform and certain volume discounts. Adform reviews gross billings for internal management purposes to assess underlying business momentum, market shares and trading scale as well as to adequately plan for working capital needs and monitor collection risk. Management believes that gross billings represents a good guide to the overall activity of the Group.

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

EUR'000	**2019**	**2018**
Gross billings (non-IFRS)	335,017	319,779
Media costs (non-IFRS)	-262,237	-251,898
Reported revenue according to IFRS	72,780	67,881

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

Timing of revenue recognition from customers:

EUR'000	**2019**	**2018**
Services transferred at a point of time	72,780	67,881
Services transferred over time	0	0
	72,780	67,881

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

Consolidated financial statements 1 January – 31 December

Notes

3 Staff costs

EUR'000	2019	2018
Wages and salaries	42,647	41,056
Pensions (defined contribution plan)	326	260
Other expenses for social security	3,402	7,160
Share-based compensation expenses (refer to note 4)	607	2,440
Other employee expenses	570	898
	47,552	51,814
Development costs capitalised as intangible assets	-6,054	-7,847
	41,498	43,967
Average number of employees	768	843

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

*Remuneration to the Executive Board**

EUR'000	2019	2018
Wages and salaries	491	435
Share-based compensation expenses	33	175
	524	610
Compensation to the Board of Directors		
Compensation	89	155
Share-based compensation expenses	88	0
	177	155

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

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

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

Consolidated financial statements 1 January – 31 December

Notes

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 2019 is based on the following assumptions:

	2019	2018	2017
Share price (EUR)	1.67	0.001 - 1.46	1.9
Volatility	30%	28 - 30%	28.9%
Risk-free interest rate	0.0%	-0.51% - 0.31%	0.4%
Expected dividends	0%	0%	0%
Expected remaining life (years)	4.0-9.0	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	31-12-2025	0.2	105	6,843,341
2019	1,484,988	October, November	31-12-2027	0.7	59	626,892

Share option schemes at 31 December 2019

Scheme	Board of Directors	Executive Board	Senior staff	Total	Average price per option
2015	-	-	104,544	104,544	4.3
2016	-	-	1,325,000	1,325,000	3.3
2017	-	-	131,500	131,500	3.1
2018	-	85,403	3,181,749	3,267,152	0.2
2019	200,000	74,728	1,210,260	1,484,988	0.7
Outstanding at 31 December 2019	200,000	160,131	5,953,053	6,313,184	

Consolidated financial statements 1 January – 31 December

Notes

4 Share-based payments - continued

Outstanding share options

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

The table below shows the number of warrants and options granted and vested as at 31 December 2019 and the subscription price per share.

Incentive programme (shares)	Number	Vested as at 31 December 2019*	Subscription price per share of DKK 0.01
Warrants (Global programme)	2,561,959	2,263,078	DKK 0.01
Warrants (U.S. employees)	225,280	217,102	DKK 10.91
Warrants 2019, appendix 3	722,455	225,925	DKK 12.46
Warrants 2019, appendix 4	762,533	660,802	DKK 0.01
LTIP Options	250,000	250,000	EUR 3.00
LTIP Options	250,000	250,000	EUR 1.00
CSOP Options	215,668	0	DKK 0.80
CSOP Options	250,000	0	DKK 5.60

* Vested as at 31 December 2019 due to fulfilment of service requirement by the employee. No exit has occurred.

Consolidated financial statements 1 January – 31 December

Notes

4 Share-based payments – continued

Warrants (Global programme and U.S. employees)

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

According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 0.01 (subscription price for the participants in the US subsidiary is DKK 10.91). In 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 as defined in appendix 2 to the Company's articles of association occurs no later than 31 December 2025 and b) provided that the individual participant's employment with parent or one of its subsidiaries has not ceased on each relevant vesting date.

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 was calculated with a share price of approximately DKK 16.4.

For the twelve-month period ended 31 December 2019, an expense of EUR 235 thousand (2018: expense of EUR 2,349 thousand) has been recognised as cost in the income statement and in equity.

Warrants 2019, appendix 3

In October 2019, a new warrant programme was initiated under which a number of employees and board members in the parent company and its subsidiaries were granted warrants. According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 12.46. In total, 772,455 warrants have been granted.

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

If a participant ceases to be employed by Adform and the participant is a "bad leaver" all warrants lapse. "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 of an exit occurring no later than 31 December 2027 based on the embedded uncertainties. This estimate is by nature associated with uncertainty. The warrant value was calculated with a share price of DKK 12.46.

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

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4 Share-based payments – continued

Warrants 2019, appendix 4

In November 2019, a new warrant programme was initiated under which a number of employees in the parent company and its subsidiaries were granted warrants. According to the warrant programme, participants can subscribe for new shares in the Company at a subscription price of DKK 0.01. In total, 762,533 warrants have been granted.

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

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

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

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

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

If a participant ceases to be employed by Adform and the participant is a "bad leaver" all warrants lapse. "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.

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

For the twelve-month period ended 31 December 2019, an expense of EUR 265 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 2019, vesting has continued with recognition to equity and salary cost in the income statement of EUR 7 thousand (2018: EUR 91 thousand). For the grant at EUR 1 under the LTIP Options it has been agreed with the participant that an exit (as defined in the program), will accelerate the vesting of this grant to full vesting.

The main principles for the UK CSOP programme are overall in line with the terms and conditions of the warrant programme as described above. 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 2019 no expense in respect to the UK CSOP programme has been recognised in the financial statements (2018: no expense).

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4 Share-based payments - continued

Phantom stock award programme

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

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

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

Based on the characteristics and the link to existing warrant programme for which the PSA's may lapse, the likelihood of an exit has been assessed by Management. Management has based on the embedded uncertainties, the previous postponements of the IPO and alternatives for an IPO which will not constitute an exit, assessed that the probability at grant date was not more like than not (below 50%) of an exit occurring no later than 31 December 2027. This estimate is by nature associated with uncertainty. Thus, as an exit is not considered probable, no expense and debt in respect to the PSA-programme has been recognised in 2019. This assessment is to be updated at every reporting day until exit.

5 Research and development costs

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

EUR'000	**2019**	**2018**
This year incurred research and development costs	23,248	24,950
Amortisation of intangible assets	6,012	4,650
Depreciation of tangible assets and right-of-use assets	3,372	2,205
Development costs recognised in intangible assets	-6,054	-7,847
Development costs recognised in research and development costs	26,578	23,958

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6 Fees to independent auditors

EUR'000	2019	2018
Fee for statutory audit	135	211
Other assurance services	0	391
Total audit related services	135	602
Tax and VAT advisory services	18	115
Other services	25	60
Total non-audit services	43	175
Total fees to independent auditors	178	777

For 2019, expenses related to audit services were affected by implementation of new accounting standards and Adform's capital increase. 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	2019	2018
Amortisation of intangible assets	6,700	5,214
Depreciation of tangible assets	2,921	4,266
Depreciation of right-of-use assets	3,896	0
	13,517	9,480

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

EUR'000	2019	2018
Research and development costs	6,012	4,650
Sales and marketing expenses	566	442
Administrative expenses	123	122
	6,701	5,214

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8 Financial income

EUR'000	2019	2018
Interest income on financial assets measured at amortised cost	52	16
Foreign exchange gains and adjustments	2,971	3,254
	3,023	3,270

9 Financial expense

EUR'000	2019	2018
Interest expenses on financial liabilities measured at amortised cost, credit institution	1,973	2,507
Interest expenses on financial liabilities measured at amortised cost, other	75	174
Foreign exchange losses and adjustments	3,374	4,404
Interest expenses from leases (right-of-use assets)	823	111
Other interest expenses	4	117
	6,249	7,313

10 Tax for the year

EUR'000	2019	2018
Current income tax charge for the year	-652	-621
Tax credit research and development expenses	785	742
Recognition of un-recognised tax asset from previous years	0	0
Change in deferred tax	-31	0
Adjustment to tax for prior years	118	115
Total tax for the year (positive amount = income, negative amount = expense)	220	236
Deferred tax on other comprehensive income	0	0

Tax reconciliation

	2019		2018	
	EUR '000	**%**	**EUR '000**	**%**
Loss before tax	-7,938		-13,246	
Tax using the Danish corporation tax rate (+income)	1,746	-22 %	2,914	-22 %
Deviation in foreign subsidiaries' tax rates compared to the Danish rate	-151	2 %	177	-1 %
Adjustment for tax prior year	118	-2 %	115	-1 %
Recognition of un-recognised tax asset from previous years	0	0 %	0	0 %
Non-capitalised tax assets	-1,328	17 %	-2,430	18 %
Non-deductible expenses	-165	1 %	-540	-4 %
Effective tax / tax rate for the year	220	-3 %	236	-2 %

Non-deductible expenses relate mainly to IPO costs and cost in respect of shared-based payments.

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

Tax credit scheme in Denmark

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 2019, in the amount of approximately EUR 738 thousand. As of 31 December 2019, payment for the income year 2018 and 2019 is outstanding.

Other tax credit and funding arrangements in respect of software development

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

The subsidiary, Adform Lithuania UAB, has in the period 2016 – 2019 received EUR 1,052 thousand in funding. For 2019, EUR 119 thousand has been recognised.

In 2018, the subsidiary in the Netherlands received EUR 19 thousand related to WSBO tax benefit which allows companies to lower wage costs of employees engaged in R&D activities.

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

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12 Intangible assets

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

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

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

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13 Tangible assets

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

EUR'000	2019	2018
Cost as at 1 January	18,862	17,273
Reclassification of finance leases to right-of-use assets	-6,073	0
Foreign currency translation adjustments	-22	19
Additions	569	1,570
Cost as at 31 December	13,336	18,862
Depreciation and impairment losses as at 1 January	13,812	9,593
Reclassification of finance leases to right-of-use assets	-4,884	0
Foreign currency translation adjustments	-12	-47
Depreciation	2,921	4,266
Depreciation and impairment as at 31 December	11,837	13,812
Carrying amount 31 December	1,499	5,050
Items of tangible assets include assets held under finance leases with a total carrying amount of		1,189

14 Leases

In 2019, accounting for operating leases changed with the implementation of IFRS 16 'Leases'. The effects of this change are described in note 31.

The main recognised right-of-use of asset is property, for which Adform leases 28 office premises and data centres.

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

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

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

EUR'000	2019
Property	10,581
IT and other fixtures and equipment	3,282
Carrying amount total right-of-use assets	13,863

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14 Leases - continued

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

EUR'000	2019
Non-current	10,067
Current	4,754
Total lease liabilities	14,821

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

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

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

Total cash outflow relating to leases was EUR 4,328 thousand for the period.

IFRS 16 'Leases' was implemented on 1 January 2019. See note 31 'New standards, interpretations and amendments adopted by the Group' for additional description.

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15 Deferred tax

EUR'000	**2019**	**2018**
Deferred tax as at 1 January	735	1,934
Foreign currency translation adjustments	0	-2
Recognised in the income statements regarding tax credit	785	742
Change in other deferred tax	-31	0
Recognition of un-recognised tax assets from previous years	0	0
Tax credit for research and development received	0	-2,264
Reversal due to exercise of warrants under the convertible loan agreement	0	325
Deferred tax 31 December	1,489	14,821
Recognised in the balance sheet as follows:		
Deferred tax assets	1,489	735
Deferred tax liabilities	0	0
Deferred tax, net	1,489	735
Specification of deferred tax:		
Temporary differences on assets and liabilities	-3,532	-3,501
Tax loss carry-forward	7,547	6,219
Recognised deferred tax asset related to tax credit	1,473	688
Non-recognised deferred tax asset	-3,999	-2,671
Deferred tax, net	1,489	735

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. For 2018 and 2019, the parent company expects to be able to make similar cash conversion of the recognised tax assets related to negative taxable income from development costs due to the Danish tax credit scheme, and therefore a deferred tax assets of EUR 1,473 thousand is recognised as of 31 December 2019.

At 31 December 2019, latent tax liabilities on undistributed dividends amounts to EUR 18 thousand (31 December 2018: 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 31 December 2019, 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	2019	2018
Cost as at 1 January	633	642
Foreign currency translation adjustments	8	21
Additions	27	30
Disposals	-49	-60
Cost as at 31 December	619	633
Value adjustments	0	0
Carrying amount 31 December	619	633

17 Trade receivables

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

EUR'000	2019	2018
Trade receivables	15,143	14,076
Receivables related to trading orders	56,179	52,236
	71,322	66,312

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

The Group is exposed to credit risk associated with (a) trade receivables and (b) receivables related to trading orders. No significant losses were incurred in respect of individual trade receivables in 2018 and 2019. Credit risk and ageing analysis is further described in note 23.

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18 Financial instruments by category

EUR'000	2019	2018
Financial assets measured at amortised cost		
Trade receivables	15,143	14,076
Receivables related to trading orders	56,179	52,236
Other receivables, non-current and current	841	1,062
Cash	23,279	20,540
	95,442	87,914
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	22,948	25,917
Interest-bearing loans and borrowings, current	4,754	6,100
Trade payables	2,929	5,266
Payables related to trading orders	76,860	73,389
Other liabilities[1]	1,587	1,135
	109,078	111,807

[1] Excludes non-financial instruments such as public debt and staff payables of EUR 6,294 thousand (2018: EUR 6,727 thousand).

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

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

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

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19 Share capital

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

EUR'000	2019	2018	2017
Share capital 1 January	69	67	67
Capital increase	24	2	-
Share capital 31 December	93	69	67

In order to strengthen the equity, secure the capital base and liquidity and to support the continued development of Adform, the existing shareholders and Adform A/S have on 4 April 2019 signed an Investment Agreement with GRO Capital, pursuant to which GRO Capital made an equity injection of DKK 225 million in Adform A/S. The equity injection was paid by GRO Capital as a cash contribution on 30th April 2019.

Earnings per share

EUR'000	2019	2018
Profit attributable to equity holders	-7,718	-13,010
Weighted average number of ordinary shares	69,223,292	50,290,000
Dilutive effect of share-based payments	5,237,895	3,752,867
Weighted average number of ordinary shares adjusted for the effect of dilution	74,461,187	53,104,650
Basic earnings per share, EUR	-0.11	-0.26
Diluted earnings per share, EUR	-0.10	-0.24

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20 Interest-bearing loans and borrowings

EUR'000	2019	2018
Non-current borrowings		
Debt to credit institutions	12,881	25,021
Finance lease liabilities	10,067	896
	22,948	25,917
Current borrowings		
Bank overdraft	0	0
Finance lease liabilities	4,754	803
Other interest-bearing debt	0	5,297
	4,754	6,100
Maturity of current and non-current borrowings		
Less than one year	4,754	6,100
Between one and five years	22,948	25,917
More than five years	0	0
	27,702	32,017

Financial lease liabilities increased due to implementation of IFRS 16 'Leases' which the Group implemented as of January 1, 2019.

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.

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. Based on this amendment, Adform A/S made a partial redemption of 50% in 2019 of the accumulated debt towards the credit institution, in total EUR 12.9 million.

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21 Trade payables

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

EUR'000	2019	2018
Trade payables	2,929	5,266
Payables related to trading orders	76,860	73,389
	79,789	78,655

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

Payables related to trading orders represent payable amounts (media costs) to publishers, where Adform has processed transactions on behalf of agencies and advertiser. Payables related to trading orders represents the total costs invoiced by the publisher to Adform in connection with the order processing of transactions delivered by the Group on behalf of third party where the Group, as part of its activities, performs the order processing and holds the credit risk.

22 Other liabilities

EUR'000	2019	2018
Staff payables	4,736	4,680
Duties to public authorities	1,558	2,047
Other accrued expenses	1,590	1,135
	7,884	7,862

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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. Hence, the Group has considerable amounts of trade and other receivables and cash that derive directly from its operations.

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

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

Credit risk

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

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

A limited number of Adform's contracts with media agencies provide that if the advertiser does not pay the agency, the agency is not liable to Adform, and Adform must seek payment solely from the advertiser, a type of arrangement called sequential liability. Despite Adform’s process of taking out insurances on as many clients as possible, contracting with these agencies, which in some cases have or may develop higher-risk credit profiles, may subject Adform to greater credit risk than if Adform was to contract directly with advertisers. This credit risk may vary depending on the nature of a media agency’s aggregated advertiser base. Adform may also be involved in disputes with agencies and their advertisers over the operation of Adform's platform, the terms of its agreements or its billings for purchases made by them through its platform. 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
2019	71,322	-1,840	48,166	18,406	2,252	1,108	2,409	669	152
2018	66,312	-642	45,896	15,266	2,773	983	1,410	494	132

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 2019, the outstanding receivables covered by insurance amounted to 53%.

No significant losses were incurred in respect of individual trade receivables in 2018 and 2019 to date.

In 2019, the Group terminated its factoring agreement.

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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	2019	2018
Allowance for expected credit losses as at 1 January	-642	-802
Additions	-1,726	-378
Utilised	148	288
Unused amounts reversed	380	250
Allowance for expected credit losses as at 31 December	-1,840	-642

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 2019 amounts to EUR 1,840 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.

EUR'000	Carrying amount	Contractual maturity incl. interest (cash flow) Total	Within one year	1 to 5 years	> 5 years
31 December 2019					
Interest-bearing loans and borrowings, non-current	22,948	31,593	1,833	29,760	0
Interest-bearing loans and borrowings, current	4,754	5,079	5,079	0	0
Trade payables	2,929	2,929	2,929	0	0
Payables related to trading orders	76,860	76,860	76,860	0	0
Other liabilities[1]	1,587	1,587	1,587	0	0
	109,078	118,048	88,288	29,760	0
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

A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table.

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 6,294 thousand (2018: EUR 6,727 thousand).

Currency risk

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

Adform does not hedge its exposure to foreign currency fluctuations. A hedging strategy might not be possible to execute as hedging instruments may not be available for all currencies, or may not always offset losses resulting from currency exchange rate fluctuations. Moreover, the use of hedging instruments can itself result in losses if the Group is unable to structure effective hedges with such instruments.

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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Notes

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	2019	2018
NOK	122	359
SEK	327	408
GBP	410	245
USD	-350	-736

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	2019	2018
NOK	123	365
SEK	328	418
GBP	411	248
USD	-316	-700

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

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

In 2019, Adform paid a partial redemption of 50% of the accumulated debt towards the credit institution, in total EUR 12,881 thousand. In addition, interest payments amounted to EUR 1,232 thousand.

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.

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26 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 60 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 2019, the loan has a carrying amount of EUR 12,881 thousand (2018: EUR 25,021 thousand).

Guarantees

Pursuant to a guarantee agreement entered into by the parent company and its subsidiary, Adform Italy S.R.L., the parent company has unconditionally and irrevocably guaranteed to a supplier as primary obligor the due and punctual performance by Adform Italy S.R.L of all its obligations arising in its ordinary course of business with this specific supplier. The guarantee continues to be effective until 31 December 2019. 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 2019, the balance towards the customer (supplier) amounted to EUR 7.2 million (2018: EUR 5.4 million).

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27 Related parties

Shareholders

- GCM Holding ApS, Charlottenlund, Denmark, 38.12%
- GRO Holding VIII ApS, Denmark, 26,09%
- Via Equity Fond I K/S, Hillerød, Denmark, 22.68%
- Accredonet Holding ApS, Frederiksberg, Denmark, 8.9%
- Stefan Juricic, Hvidovre, Denmark, 4.21%

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

Other related parties

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

Transactions with related parties

During 2019, Adform A/S has in 2019 made a partial redemption of 50% of the accumulated debt towards to the former shareholder Danica Pension for EUR 12.881 thousand.

Transactions with Management

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

28 Events after reporting period

After the reporting period, the global outbreak of coronavirus (COVID-19) has had a negative impact on the amounts advertisers spend on digital marketing activities globally. As a result, Management has noted a general decrease in campaign spend and in Adform's Buy Side revenues, starting in March 2020 and continuing until the date of approval of the annual report. COVID-19 has altogether led to a decline of c. 15% in Adform's combined revenues in the impacted months compared to same period in 2018. Management believes the impact of COVID-19 on Adform is stabilizing at this level but expects COVID-19 will continue to have material negative impact on revenue generation in the mid-term.

Management quickly implemented a broad range of mitigating measures to minimise the negative effect on EBITDA, including temporary reduction of working days and salary for majority of all employees, use of aid packages for salary compensations, as well as aid packages allowing postponement of VAT payments.

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

The Management follows the situation closely, and continuously updates a number of financial planning scenarios as to qualify and quantify the potential effects on the business and guide Management and the Board of Directors in decision making.

There are no other materials events after the reporting period to be disclose. Consolidated financial statements 1 January – 31 December

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29 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 2019 were authorised for issue in accordance with a resolution of the Board of Directors as of 28 May 2020.

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 2019.

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

The accounting policies have been applied consistently in the financial year and for the comparative figures except for the adoption of IFRS 16 'Leases' as described in note 31 ‘New standards, interpretations and amendments adopted by the Group’.

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 2019. 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

29 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

Notes

29 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 digital advertising process. These products are organised into two suites:

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

2) Publisher Edge for sell-side customers (i.e. customers selling ad inventory, such as publishers).

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

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

Consolidated financial statements 1 January – 31 December

Notes

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

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

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

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

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

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

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

Ad serving

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

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

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

Consolidated financial statements 1 January – 31 December

Notes

29 Accounting policies - continued

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

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

Data

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

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.

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29 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

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29 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

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29 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

29 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

Lease liabilities are initially measured at the net present value of the in-substance fixed lease payments for the use of a lease asset. If, at inception of the lease, we are reasonably certain about exercising an option to extend a lease, we will include the lease payments in the option period when calculating the lease liability.

We measure the lease asset to the value of the lease liability at initial recognition.

Our lease assets are classified alongside our owned assets of similar type under property, plant and equipment. We depreciate our lease assets during the lease term. The depreciation method is straight-line basis for all our lease assets. Variable lease expenses are recognised in other external expenses in the period when the condition triggering those payments occurs. Interests of lease liabilities are recognised in financial expenses. Each lease payment is separated into repayment of the lease liability and payment of interests of the lease liability. Debt repayments and payment of interests are classified as cash flows from financing activities.

The new lease accounting rules in IFRS 16 'Leases' was implemented on 1 January 2019. See note 31 'New standards, interpretations and amendments adopted by the Group’.

Other non-current assets

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

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Notes

29 Accounting policies - continued

Trade receivables

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

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

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

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

Trade receivables related to trading orders

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

Prepayments

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

Shareholders’ equity

Foreign currency translation reserve

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

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Notes

29 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.

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Notes

29 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

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29 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

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

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

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

Geographical segmentation

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

Product segmentation

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

Consolidated financial statements 1 January – 31 December

Notes

29 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, shared-based payments and restructuring costs.
NIBD:	Cash less interest-bearing loans and borrowings (current and non-current)

Consolidated financial statements 1 January – 31 December

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30 Significant accounting estimates and judgements

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

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

Revenue and related balance sheet accounts

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

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

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

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

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

Financing and liquidity

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.

Consolidated financial statements 1 January – 31 December

Notes

30 Significant accounting estimates and judgements - continued

Share-based compensation

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

31 New standards, interpretations and amendments adopted by the Group

The Group applies, for the first time, IFRS 16 'Leases'. No other new amendments or interpretations had an impact on the recognition or measurement in the consolidated financial statements.

IFRS 16 'Leases'

IFRS 16 'Leases' was implemented 1 January 2019. Implementation of IFRS 16 had a material impact on Adform's financial statements, as most contracts previously classified as off-balance operating leases under IAS 17 have now been capitalised, recognising right-of-use assets and lease liabilities similar to previous practices for finance leases.

Consequently, reported operating profits have increased, as previous operating lease expenses have been replaced by depreciation and interest expenses. However, the impact on profit for the period is neutral over time, but a timing effect does occur due to frontloading of interest expenses.

Reported cash flow from operating activities has increased, but is offset by an increased cash outflow from financing activities. Accordingly, total cash flow for the period is unchanged.

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

Adform has elected to use the following exemptions proposed by the standard:

- Not to reconsider if existing contracts are, or include, a lease
- Not to recognise lease contracts for which the lease terms end within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value.
- Apply discount rate to a group of similar lease assets.

With the few exemptions listed above, Adform recognises all operating leases on the balance sheet as assets with a corresponding lease liability.

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%.

Consolidated financial statements 1 January – 31 December

Notes

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

The effect on the balance sheet from the implementation is illustrated below:

EUR'000	2019
Operating lease commitments as disclosed as at 31 December 2018	7,629
Discounted using the incremental borrowing rate	-692
Lease payments relating to extention options that Adform is reasonably certain to exercise	6,817
Lease liabilities reported as of 1 January 2019	13,754

Standards issued but not yet effective

In the opinion of Management, no standards or interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements, will significantly impact the Group.

Parent company financial statements 1 January – 31 December

Income statement

Note	EUR'000	2019	2018
2	Revenue	64,735	62,144
	Cost of sales	-6,407	-6,853
	Gross profit	58,328	55,291
3,4,5,7	Research and development costs	-26,912	-23,702
3,4,7	Sales and marketing expenses	-25,462	-33,429
3,4,7	Administrative expenses	-13,446	-10,193
	Operating loss (EBIT)	-7,492	-12,033
	Income from subsidiaries	2,825	2,970
8	Financial income	2,934	3,191
9	Financial expenses	-5,796	-7,099
	Loss before tax	-7,529	-12,970
10	Tax for the year	785	738
	Loss for the year	-6,744	-12,232

Statement of comprehensive income

Note	EUR'000	2019	2018
	Loss for the year	-6,744	-12,232
	Other comprehensive income		
	Items that may be reclassified to the income statement in subsequent periods:		
	Exchange differences in translation	-18	82
	Other comprehensive income/loss for the year, net of tax	-18	82
	Total comprehensive income for the year	-6,762	-12,150

Parent company financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2019	2018
	ASSETS		
	Non-current assets		
12	Intangible assets	22,585	22,741
13	Tangible assets	1,106	3,448
14	Right of use of assets	3,933	0
15	Investment in subsidiaries	131	128
16	Deferred tax assets	1,473	688
17	Other non-current assets	31	41
	Total non-current assets	29,259	27,046
	Current assets		
18,19	Trade receivables	59,811	60,650
	Receivables from subsidiaries	19,885	7,486
	Income tax receivable	0	0
19	Other receivables	484	726
	Prepayments	1,052	975
19	Cash	18,393	19,009
	Total current assets	99,625	88,846
	TOTAL ASSETS	128,884	115,892

Note	EUR'000	2019	2018
	EQUITY AND LIABILITIES		
1	**Equity**		
20	Share capital	93	69
	Foreign currency translation reserve	61	79
	Reserve for development cost	15,445	14,262
	Retained earnings	4,328	-16,963
	Total equity	19,927	-2,553
	Non-current liabilities		
21,26	Interest-bearing loans and borrowings	15,558	25,836
16	Deferred tax liabilities	0	0
		15,558	25,836
	Current liabilities		
21,26	Interest-bearing loans and borrowings	1,875	6,009
22,26	Trade payables	68,091	69,025
	Payables to subsidiaries	21,021	15,408
23,26	Other liabilities	2,412	2,167
		93,399	92,609
	Total liabilities	108,957	118,445
	TOTAL EQUITY AND LIABILITIES	128,884	115,892

Parent company financial statements 1 January – 31 December

Statement of changes in equity

2019

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

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

Parent company financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2019	2018
	Loss before tax	-7,529	-12,970
7	*Adjustment for:*		
	Amortisation and depreciation	10,485	8,754
	Dividends from subsidiaries	-2,825	-2,970
8,9	Financial items, net (financial income and expenses)	2,633	3,907
	Other non-cash items	607	2,509
	Cash flow from operating activities before changes in working capital	3,371	-770
	Changes in working capital	-6,464	13,377
	Cash flow from operations	-3,093	12,607
	Financial costs, net	-389	-1,288
10	Income taxes received	0	2,264
	Cash flow from operating activities	**-3,482**	**13,583**
12	Investments in intangible assets	-6,910	-8,952
13	Investments in tangible assets	-384	-1,196
	Of which not paid/or finance lease	0	186
15	Investments in subsidiaries	-2	0
17	Change in other non-current assets	11	-10
	Dividends from subsidiaries	2,825	2,970
	Cash flow from investing activities	**-4,460**	**-7,002**
26	Payment of lease commitments	-1,628	-951
9	Payment of lease interest	-271	-111
26	Repayment of bank overdraft	0	-2,852
26	Repayment of debt to credit institutions	-12,881	0
26	Payment of interest related to debt to credit institutions	-1,232	0
26	Proceeds from other interest-bearing debt and bank overdraft	0	1,501
26	Repayment of other interest-bearing debt	-5,297	0
26	Cash increase of capital	30,142	2,410
26	Expenses, capital increase	-1,507	0
	Cash flow from financing activities	**7,326**	**-3**
	Net cash flow	-616	6,578
	Cash, 1 January	19,009	12,431
	Cash[1] 31 December	18,393	19,009

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

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

[1] Cash comprises cash at bank and in hand

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

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 digital advertising process.

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

Revenue allocation by region:

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

EUR'000	2019	2018
Nordic	22,095	25,182
International	42,640	36,962
Total revenue	64,735	62,144

Revenues per customer category:

EUR'000	2019	2018
Revenue from Buy Side (comprises the fees paid by agencies and advertisers)	53,941	52,135
Revenue from Sell Side (comprises the fees paid by publishers)	10,794	10,009
	64,735	62,144

Revenues per product category:

EUR'000	2019	2018
Trading platforms	39,246	37,257
Ad serving	16,016	17,205
Data	7,722	5,976
Other Services	1,751	1,706
	64,735	62,144

In 2019 and in 2018, no customers accounted for more than 10% of total revenue.

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

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

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

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

EUR'000	**2019**	**2018**
Gross billings (non-IFRS)	311,277	304,724
Media costs (non-IFRS)	-246,542	-242,580
Reported revenue according to IFRS	64,735	62,144

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

Timing of revenue recognition from customers:

EUR'000	**2019**	**2018**
Services transferred at a point of time	64,735	62,144
Services transferred over time	0	0
	64,735	62,144

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

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Notes

3 Staff cost

EUR'000	2019	2018
Wages and salaries	7,547	6,622
Other expenses for social security	303	325
Share-based payments (refer to note 4)	607	2,440
Other employee expenses	180	171
	8,637	9,558
Development costs capitalised as intangible assets	0	0
	8,637	9,558
Average number of employees	35	51
Remuneration to the Executive Board		
Wages and salaries	491	435
Share-based compensation expenses	33	175
	524	610
Compensation to the Board of Directors		
Compensation	89	155
Share-based compensation expenses	88	0
	177	155

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

EUR'000	2019	2018
This years incurred research and development costs	25,750	26,222
Amortisation of intangible assets	6,674	5,140
Depreciation of tangible assets and right-of-use assets	1,027	815
Development costs recognised in intangible assets	-6,539	-8,475
Development costs recognised in research and development costs	26,912	23,702

Parent company financial statements 1 January – 31 December

Notes

6 Fees to independent auditors

EUR'000	2019	2018
Fee for statutory audit	99	155
Other assurance services	0	391
Total audit related services	99	546
Tax and VAT advisory services	18	155
Other services	25	59
Total non-audit services	43	214
Total fees to independent auditors	142	760

For 2019, expenses related to audit services were affected by implementation of new accounting standards and Adform's capital increase. 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	2019	2018
Amortisation of intangible assets	7,052	5,495
Depreciation of tangible assets	1,545	3,259
Depreciation of right-of-use of assets	1,888	0
	10,485	8,754

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

EUR'000	2019	2018
Research and development costs	6,674	5,140
Sales and marketing expenses	140	201
Administrative expenses	238	154
	7,052	5,495

8 Financial income

EUR'000	2019	2018
Interest income from subsidiaries	1	29
Interest income on financial assets measured at amortised cost	52	16
Foreign exchange gains and adjustments	2,881	3,146
	2,934	3,191

9 Financial expense

EUR'000	2019	2018
Interest expenses on financial liabilities measured at amortised cost, credit institution	1,973	2,507
Interest expenses on financial liabilities measured at amortised cost, other	75	169
Foreign exchange losses and adjustments	3,248	4,312
Interest expenses from leases (right-of-use assets)	271	111
	5,567	7,099

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Notes

10 Tax for the year

EUR'000	2019	2018
Current income tax charge for the year	0	0
Tax credit research and development expenses	785	738
Recognition of un-recognised tax assets from previous years	0	0
Adjustment to tax for prior years	0	0
Total tax for the year (positive amount = income, negative amount = expense)	785	738
Deferred tax on other comprehensive income	0	0

Tax reconciliation

	2019		2018	
	EUR '000	**%**	**EUR '000**	**%**
Loss before tax	-7,529		-12,970	
Tax using the Danish corporation tax rate	1,656	-22 %	2,853	-22 %
Adjustment for tax prior year	0	0 %	0	0 %
Recognition of un-recognised tax assets from previous years	0	0 %	0	0 %
Non-taxable dividend income	622	-8 %	653	-5 %
Non-capitalised tax, assets	-1,328	18 %	-2,391	18 %
Non-deductible expenses	-165	2 %	-377	3 %
Effective tax / tax rate for the year	785	-10 %	738	-6 %

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 2019, in the amount of approximately EUR 738 thousand. As of 31 December 2019, payment for the income year 2018 and 2019 is outstanding.

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12 Intangible assets

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

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

Further information about intangible assets is disclosed in note 12 in the consolidated financial statements.

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13 Tangible assets

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

EUR'000	2019	2018
Cost as at 1 January	14,675	13,522
Reclassification of finance leases to right-of-use assets	-5,938	0
Foreign currency translation adjustments	-22	-43
Additions	384	1,196
Cost as at 31 December	9,099	14,675
Depreciation and impairment losses as at 1 January	11,227	8,000
Reclassification of finance leases to right-of-use assets	-4,767	0
Foreign currency translation adjustments	-12	-26
Depreciation	1,545	3,253
Depreciation and impairment as at 31 December	7,993	11,227
Carrying amount 31 December	1,106	3,448

Items of tangible assets include assets held under finance leases with a total carrying amount of		1,171

14 Leases

In 2019, accounting for operating leases changed with the implementation of IFRS 16 'Leases'. The effects of this change are described in note 31 in the consolidated financial statements. The main recognised right-of-use of asset is property for which the parent company lease office premises and data centres.

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

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

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

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

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14 Leases - continued

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

EUR'000	2019
Non-current	2,677
Current	1,875
Total lease liabilities	4,552

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

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

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

Total cash outflow relating to leases was EUR 1,628 thousand for the period.

IFRS 16 'Leases' was implemented on 1 January 2019. See note 31 'New standards, interpretations and amendments adopted by the Group' for additional description.

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15 Investments in subsidiaries

EUR'000	2019	2018
Cost as at 1 January	128	132
Foreign currency translation adjustments	1	-4
Additions	2	0
Cost as at 31 December	131	128
Value adjustments as at 1 January	0	0
Value adjustments as at 31 December	0	0
Carrying amount 31 December	131	128

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
Adform Technologies JSC (Turkey)	100 %	Istanbul

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

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16 Deferred tax

EUR'000	2019	2018
Deferred tax as at 1 January	688	1,891
Foreign currency translation adjustments	0	-2
Recognised in the income statements regarding tax credit	785	738
Tax credit for research and development received	0	-2,264
Recognition of un-recognised tax assets from previous years	0	0
Reversal due to exercise of warrants under the convertible loan agreement	0	325
Deferred tax 31 December	1,473	688
Recognised in the balance sheet as follows:		
Deferred tax assets	1,473	688
Deferred tax liabilities	0	0
Deferred tax, net	1,473	688
Specification of deferred tax:		
Temporary differences on assets and liabilities, net	-3,548	-3,548
Tax loss carry-forwards	7,547	6,219
Recognised deferred tax asset related to tax credit	1,473	688
Non-recognised deferred tax asset	-3,999	-2,671
Deferred tax, net	1,473	688

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. For 2018 and 2019, the parent company expect to be able to make similar cash conversion of the recognised tax assets related to negative taxable income from development costs due to the Danish tax credit scheme and therefore a deferred tax assets of EUR 1,473 thousand is recognised as of 31 December 2019.

17 Other non-current assets

Other non-current assets consist of deposits.

EUR'000	2019	2018
Cost as at 1 January	41	31
Foreign currency translation adjustments	1	1
Additions	7	24
Disposals	-18	-15
Cost as at 31 December	31	41
Value adjustments	0	0
Carrying amount 31 December	31	41

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18 Trade receivables

EUR'000	2019	2018
Trade receivables	12,211	15,830
Receivables related to trading orders	47,600	44,820
	59,811	60,650

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.

19 Financial instruments by category

EUR'000	2019	2018
Financial assets measured at amortised cost		
Trade receivables	12,211	15,830
Receivables related to trading orders	47,600	44,820
Receivables from subsidiaries	19,885	7,486
Other receivables, non-current and current	1,536	726
Cash	18,393	19,009
	99,625	87,871
Financial liabilities measured at amortised cost		
Interest-bearing loans and borrowings, non-current	15,558	25,836
Interest-bearing loans and borrowings, current	1,875	6,009
Trade payables	1,964	3,859
Payables related to trading orders	66,127	65,166
Payables to subsidiaries	21,022	15,408
Other liabilities[1]	1,474	983
	108,020	117,261

[1] Excludes non-financial instruments such as public debt and staff payables of EUR 938 thousand (2018: EUR 1,184 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

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20 Share capital

Please refer to note 19 in the consolidated financial statements.

21 Interest-bearing loans and borrowings

EUR'000	2019	2018
Non-current borrowings		
Debt to credit institutions	12,881	25,021
Finance lease liabilities	2,677	815
	15,558	25,836
Current borrowings		
Bank overdraft	0	0
Finance lease liabilities	1,875	712
Other interest-bearing debt	0	5,297
	1,875	6,009
Maturity of current and non-current borrowings		
Less than one year	1,875	6,009
Between one and five years	15,558	25,836
More than five years	0	0
	17,433	31,845

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

22 Trade payables

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

EUR'000	2019	2018
Trade payables	1,964	3,859
Payables related to trading orders	66,127	65,166
	68,091	69,025

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

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23 Other liabilities

EUR'000	2019	2018
Staff payables	881	1,104
Duties to public authorities	57	80
Other accrued expenses	1,474	983
	2,411	2,167

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

24 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
2019	59,811	-1,607	40,076	15,772	1,988	906	2,008	543	125
2018	60,650	-589	42,996	13,970	2,075	626	971	480	121

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

EUR'000	2019	2018
Allowance for expected credit losses as at 1 January	-589	-802
Additions	-1,493	-325
Utilised	127	281
Unused amounts reversed	348	257
Allowance for expected credit losses 31 December	-1,607	-589

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

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Notes

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.

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

EUR'000	**Carrying amount**	**Total**	**Within one year**	**1 to 5 years**	**> 5 years**
31 December 2018					
Interest-bearing loans and borrowings, non-current	25,836	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

A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table.

[1] Excluding non-financial instruments such as public debt and staff payables of EUR 938 thousand (2018: EUR 1,184 thousand).

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

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
Proceeds from capital increase, net	0	2,410	0	0	2,410
Total liabilities from financing activities	29,892	108	186	4,069	34,255

Other relates to rolled-up and accrued interest.

27 Commitments, contingencies, commitments and pledges etc.

Please refer to note 26 in the consolidated financial statements.

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Notes

28 Related parties

Shareholders

- GCM Holding ApS, Charlottenlund, Denmark, 38.12%
- GRO Holding VIII ApS, Denmark, 26,09%
- Via Equity Fond I K/S, Hillerød, Denmark, 22.68%
- Accredonet Holding ApS, Frederiksberg, Denmark, 8.9%
- Stefan Juricic, Hvidovre, Denmark, 4.21%

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

Other related parties

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

Transactions with related parties and Management

Please refer to note 27 in the consolidated financial statements.

29 Events after reporting period

Please refer to note 28 in the consolidated financial statements.

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30 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 2019.

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 29.

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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31 Significant accounting estimates and assumptions

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

Management assesses that, in respect of the financial reporting for the parent company, no accounting estimates or judgements are made when applying the parent company's accounting policies, which are significant to the financial reporting apart from those disclosed in note 30 to the consolidated financial statements.

32 New standards

The description in note 31 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.