Adecco A/S

Falkoner Alle 1, 2000 Frederiksberg

CVR no. 12 93 23 75

Annual report 2017

Approved at the Company's annual general meeting on 29 May 2018

Chairman:

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Stian Nygard

Mark De Smedt

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Adecco A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 29 May 2018
Executive Board:

Mickey Maymann
CEO

Board of Directors:

Marc Robert Angele Marie Julien de Smedt Chairman	Stian Nygård	Mickey Maymann
Mads Hyre-Dybbro		

Independent auditor's report

To the shareholders of Adecco A/S

Opinion

We have audited the financial statements of Adecco A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 29 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Tanggaard Jacobsen
State Authorised Public Accountant
MNE no.: mne23314

Rasmus Bloch Jespersen
State Authorised Public Accountant
MNE no.: mne35503

Management's review

Company details

Name	Adecco A/S
Address, Postal code, City	Falkoner Allé 1, 2000 Frederiksberg
CVR no.	12 93 23 75
Established	1 April 1989
Registered office	Frederiksberg
Financial year	1 January - 31 December
Website	www.adecco.dk
Board of Directors	Marc Robert Angele Marie Julien de Smedt, Chairman Stian Nygård Mickey Maymann Mads Hyre-Dybbro
Executive Board	Mickey Maymann, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea Bank Mendes Gans

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	638,954	939,507	883,747	1,009,517	667,196
Gross margin	596,144	891,554	841,346	967,932	635,824
Profit before interest, tax and amortisation of goodwill (EBITA)	-18,854	6,523	5,721	6,863	-2,612
Operating profit/loss	-18,854	6,523	5,721	6,863	1,385
Net financials	-1,118	-1,384	-532	-1,012	-1,450
Profit/loss for the year	-29,717	5,139	5,196	5,831	-65
Total assets	165,643	214,700	215,178	192,969	201,846
Investment in property, plant and equipment	706	1,996	511	1,430	97
Equity	17,324	47,041	41,902	36,706	30,875
Financial ratios					
Operating margin	-3.0%	0.7%	0.6%	0.7 %	0.2 %
Gross margin	93.3%	94.9%	95.2%	95.9%	95.3%
Return on assets	-9.9%	3.0%	2.8%	3.5%	0.9%
Current ratio	107.3%	118.4%	116.2%	114.8%	0.0%
Return on equity	-92.3%	11.6%	13.2%	17.3%	-1.1%
Average number of employees	1,463	2,002	1,833	2,175	1,572

Management's review

Business review

As in previous years, the Company's core activities in the year under review were to render temporary staffing and recruitment assistance. The Company's key business segment is nationwide temporary staffing in the areas of office, canteen, storage & industry, IT, nursing, domestic help, construction, sales and demonstration.

Recognition and measurement uncertainties

In 2013, the Danish tax authorities (SKAT) raised a claim for an amount of DKK 10,487 thousand against the Company regarding a transfer pricing dispute (the case) in respect of the income years 2006-2009. In order to avoid accrued interest on the disputed amount, should the outcome of the dispute, in whole or in part, be unfavorable for the Company, the Company decided to pay the claimed amount in 2013. Of this amount, DKK 9,743 thousand was capitalised in the balance sheet item "Other receivables" at 31 December 2016. In previous years, the Company appealed the case to the Danish National Tax Tribunal (Landsskatteretten) claiming that the position taken by the Company is in accordance with applicable tax rules.

In 2017, the appeal case was set for the Danish National Tax Tribunal, which supported SKAT's claim. The Company and the Adecco Group will continue to defend their position and contest the assessment of SKAT and the Danish National Tax Tribunal. The case has been taken further on to the High Court.

Due to the ruling of the Danish National Tax Tribunal in 2017 and the uncertainty as to the timing and outcome of the ultimate resolution of the transfer pricing dispute, the Company has assessed that the prior-year capitalised receivable of DKK 9,743 thousand toward the Danish tax authorities no longer meets the criteria for capitalisation in the balance sheet. Consequently, the Company has recognised an adjustment in respect of prior years' income taxes in the income statement. Further reference is made to note 9.

SKAT has raised similiar claims for the income years 2010-2013, and the Company expects that SKAT may also review the period 2014-2017. The accumulated additional potential tax risk associated with the period 2013-2017 approximates DKK 6,900 thousand. In 2018, SKAT has raised an additional claim of DKK 1,194 thousand relating to 2010-2013, which the Company has paid in 2018 in order to avoid interest on the disputed amount. It is the Company's assessment that the most likely outcome of the ultimate resolution of the transfer pricing dispute will not require further provisions.

As a result of the uncertainty as to the outcome of the ultimate resolution of the transfer pricing dispute, there is uncertainty as to the recognition and measurement of previous years' receivables toward SKAT, the current year's adjustment in respect of previous years' income taxes and the income tax provision.

Financial review

In 2017, the Company's revenue amounted to DKK 638,954 thousand against DKK 939,507 thousand last year. . The income statement for 2017 shows a loss of DKK 29,717 thousand against a profit of DKK 5,139 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 17,324 thousand. Moreover, in 2017 the markets for staffing and recruitment were highly competitive, and with low entry barriers, the markets consist of a significant number of competitors. As foreseen last year, the Company still experiences that the gross margin on the individual projects is under pressure, which has an adverse effect on the financial performance. On this basis, Management considers profit for the year as non-satisfactory.

Statutory CSR report

Adecco Global has established policies for social corporate responsibility, including policies for climate and human rights. As a subsidiary to Adecco Global, Adecco A/S must ensure compliance and adhere to these group policies.

It is possible to read more about the Adecco Group's positions on social responsibility on https://www.adeccogroup.com/sustainability/

Management's review

Account of the gender composition of Management

In Adecco A/S, it is our clear objective to ensure diversity in the staff composition - not least at executive level. We believe that diversity can contribute positively to the development and competitiveness of the organisation. Diversity relates to both gender, age and ethnic background and are all an integral part of our Global Code of Conduct. As of January 2018, the gender composition is 29% women and 71% men. All members of the Board of Directors are men and it consists of the Regional Management (Regional Manager and Regional Finance Manager) and Local Executive Team (Country Manager and Country Finance Manager). Adecco A/S considers an equal split between the genders as the objective within the next 4 years, however, the composition of the Board of Directors consists of employee of defined internal executive members. A change in the composition requires a change in the internal position, which did not take place during 2017.

As Adecco has a clear policy regarding equal opportunities for all in relation to promotion and career development, it is considered as natural that the gender composition will be at an equivalent level over the coming years (4 years).

At the same time, it should be emphasised that Adecco A/S, at all times, chooses to promote and appoint executive officers - at all levels - not based on gender, but on who is best suited for the job - professionally, technically and personally. As such, both genders are taken into considerations upon promotion and appointment of new executives.

Events after the balance sheet date

Except for the matters described in the section "Recognition and measurement uncertainties" above, no other significant events have occurred subsequent to the balance sheet date.

Outlook

In 2018, Adecco expects that the Company's revenue and earnings will improve. In 2018, the market for temporary staffing and recruitment assistant will once again be very competitive, though it will continue to grow. In 2017, the Company invested resources in transforming the organisation to become even mere agile to meet the increased competition. We expect that revenue for 2018 will be on the same level as in 2017 or with a decrease/increase in the range of 10% to -10%.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
5	Revenue	638,954	939,507
	Other external expenses	-42,810	-47,953
	Gross margin	596,144	891,554
6	Staff costs	-612,995	-883,275
7	Amortisation/depreciation of intangible assets and property, plant and equipment	-2,003	-1,756
	Profit/loss before net financials	-18,854	6,523
	Financial income	30	18
8	Financial expenses	-1,148	-1,402
	Profit/loss before tax	-19,972	5,139
9	Tax for the year	-9,745	0
	Profit/loss for the year	-29,717	5,139

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
10	Intangible assets		
	Acquired software	3,285	2,617
		3,285	2,617
11	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	1,464	1,443
	Leasehold improvements	372	582
		1,836	2,025
12	Financial assets		
	Other receivables	1,350	11,508
		1,350	11,508
	Total non-current assets	6,471	16,150
	Current assets		
	Receivables		
	Trade receivables	125,543	194,988
	Receivables from group entities	1,721	0
	Other receivables	80	1,624
13	Prepayments	1,417	1,002
		128,761	197,614
	Cash	30,411	936
	Total current assets	159,172	198,550
	TOTAL ASSETS	165,643	214,700

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	10,002	10,002
	Retained earnings	7,322	37,039
	Total equity	17,324	47,041
	Current liabilities		
	Prepayments received from customers	0	14
	Trade payables	8,414	9,287
	Payables to group entities	52,752	45,742
	Other payables	87,153	112,616
	Total current liabilities	148,319	167,659
	Total liabilities	148,319	167,659
	TOTAL EQUITY AND LIABILITIES	165,643	214,700

1 Accounting policies
2 Uncertainties regarding recognition and measurement
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4 Special items
16 Contractual obligations and contingencies, etc.
17 Contingent assets
18 Collateral
19 Related parties
20 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	10,002	31,900	41,902
21	Transfer, see "Appropriation of profit/loss"	0	5,139	5,139
	Equity at 1 January 2017	10,002	37,039	47,041
21	Transfer, see "Appropriation of profit/loss"	0	-29,717	-29,717
	Equity at 31 December 2017	10,002	7,322	17,324

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Adecco A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are part of the consolidated cash flow statement for the Parent Company, Adecco S.A.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company generates revenue from the sale of temporary staffing services, permanent placement services, outsourcing services and other services.

Revenue related to temporary staffing services is generally negotiated and invoiced on an hourly basis. Associates record the hours they have worked, and these hours, at the rate agreed with the costumer, are then accumulated and invoiced according to the agreed terms. Temporary staffing service revenue is recognised upon the rendering of the service.

Revenue related to permanent placement services is generally recognised at the time at which the candidate begins full-time employment, or as the fee is earned. An allowance provision is established based on historical information for any non-fulfillment of permanent placement obligations.

Revenue related to outsourcing services and other services is negotiated with the client on a project basis and is recognised upon rendering of the services. Revenue invoiced prior to providing the services is deferred and recognised in "Other current liabilities" until the services have been rendered.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, royalty, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc., made to the Company's employees and temporary workers. The item is net of refunds made by public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired software	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The residual value is 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 residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, financial expenses relating to realised and unrealised capital gains and losses, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include software licences and other acquired intangible rights.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Property plant and equipment comprise other fixtures and fittings, tools and equipment as well as leasehold improvements.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (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 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. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash in banks.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities" or "Payables to group entities", as applicable.

Provisions

Provisions comprise expected expenses relating to restructurings, etc. Provisions are recognised when the Company has a legal or constructive obigation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated based on the liability method of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

2 Uncertainties regarding recognition and measurement

In 2013, the Danish tax authorities (SKAT) raised a claim for an amount of DKK 10,487 thousand against the Company regarding a transfer pricing dispute (the case) in respect of the income years 2006-2009. In order to avoid accrued interest on the disputed amount, should the outcome of the dispute, in whole or in part, be unfavorable for the Company, the Company decided to pay the claimed amount in 2013. Of this amount, DKK 9,743 thousand was capitalised in the balance sheet item "Other receivables" at 31 December 2016. In previous years, the Company appealed the case to the Danish National Tax Tribunal (Landsskatteretten) claiming that the position taken by the Company is in accordance with applicable tax rules.

In 2017, the appeal case was set for the Danish National Tax Tribunal, which supported SKAT's claim. The Company and the Adecco Group will continue to defend their position and contest the assessment of SKAT and the Danish National Tax Tribunal. The case has been taken further on to the High Court.

Due to the ruling of the Danish National Tax Tribunal in 2017 and the uncertainty as to the timing and outcome of the ultimate resolution of the transfer pricing dispute, the Company has assessed that the prior-year capitalised receivable of DKK 9,743 thousand toward the Danish tax authorities no longer meets the criteria for capitalisation in the balance sheet. Consequently, the Company has recognised an adjustment in respect of prior years' income taxes in the income statement. Further reference is made to note 9.

SKAT has raised similiar claims for the income years 2010-2013, and the Company expects that SKAT may also review the period 2014-2017. The accumulated additional potential tax risk associated with the period 2013-2017 approximates DKK 6,900 thousand. In 2018, SKAT has raised an additional claim of DKK 1,194 thousand relating to 2010-2013, which the Company has paid in 2018 in order to avoid interest on the disputed amount. It is the Company's assessment that the most likely outcome of the ultimate resolution of the transfer pricing dispute will not require further provisions.

As a result of the uncertainty as to the outcome of the ultimate resolution of the transfer pricing dispute, there is uncertainty as to the recognition and measurement of previous years' receivables toward SKAT, the current year's adjustment in respect of previous years' income taxes and the income tax provision.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Events after the balance sheet date

Except for the matters described in note 2 above, no other significant events have occurred subsequent to the balance sheet date.

4 Special items

Special items for the year relates to the adjustment of previous years' income taxes of DKK 9,745 as discussed in note 2 above and as specified in note 9 below.

DKK'000	2017	2016
5 Segment information		
Temporary staffing services	597,138	891,971
Permanent staffing, outsourcing and other services	41,816	47,536
	638,954	939,507
Breakdown of revenue by geographical segment:		
Denmark	638,954	939,507
	638,954	939,507

With reference to section 96 (1) of the Danish Financial Statements Act, the Company does not disclose costumer segements of revenue as Management is of the opinion that such disclosure is of significant interest to its competitors and may, therefore, be highly detrimental to the Company.

DKK'000	2017	2016
6 Staff costs		
Wages/salaries	515,293	744,303
Pensions	47,061	66,396
Other social security costs	43,583	58,561
Other staff costs	7,058	14,015
	612,995	883,275
Average number of full-time employees	1,463	2,002

Total remuneration of the Excecutive Board and the Board of Directors amounted to DKK 3,048 thousand (2016: DKK 2,130 thousand).

DKK'000	2017	2016
7 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	1,163	1,379
Depreciation of property, plant and equipment	840	377
	2,003	1,756

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Notes to the financial statements

DKK'000	2017	2016
8 Financial expenses		
Interest expenses, group entities	0	576
Other financial expenses	1,148	826
	1,148	1,402
9 Tax for the year		
Tax adjustments, prior years	9,745	0
	9,745	0

Reference is made to note 2 and 3.

10 Intangible assets

DKK'000	Acquired software
Cost at 1 January 2017	28,180
Additions in the year	1,831
Cost at 31 December 2017	30,011
Impairment losses and amortisation at 1 January 2017	25,563
Amortisation/depreciation in the year	1,163
Impairment losses and amortisation at 31 December 2017	26,726
Carrying amount at 31 December 2017	3,285
Amortised over	3-5 years

11 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	7,708	5,086	12,794
Additions in the year	646	5	651
Cost at 31 December 2017	8,354	5,091	13,445
Impairment losses and depreciation at 1 January 2017	6,265	4,504	10,769
Amortisation/depreciation in the year	625	215	840
Impairment losses and depreciation at 31 December 2017	6,890	4,719	11,609
Carrying amount at 31 December 2017	1,464	372	1,836
Depreciated over	3-5 years	3-5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

12 Investments

DKK'000	Other receivables
Cost at 1 January 2017	11,508
Disposals in the year	-10,158
Cost at 31 December 2017	1,350
Carrying amount at 31 December 2017	1,350

13 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2017	2016
14 Share capital		
Analysis of the share capital:		
10,002 shares of DKK 1,000.00 nominal value each	10,002	10,002
	10,002	10,002

Analysis of changes in the share capital over the past 5 years:

DKK'000	2017	2016	2015	2014	2013
Opening balance	10,002	10,002	10,002	10,002	10,001
Capital increase	0	0	0	0	1
	10,002	10,002	10,002	10,002	10,002

DKK'000	2017	2016
15 Income taxes payable		
Corporation tax payable at 1 January	0	0

16 Contractual obligations and contingencies, etc.

Other contingent liabilities

As discussed in note 2, the accumulated additional potential tax risk associated with the transfer pricing dispute for the period 2013-2017 approximates DKK 6,900 thousand.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	8,700	10,143

Rent and lease liabilities include a rent obligation, totalling DKK 7,769 (2016: DKK 9,430 thousand), in interminable rent agreements with remaining contract terms of 0-5 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 930,910 (2016: DKK 713 thousand), with remaining contract terms of 2-3 years.

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17 Contingent assets

The Company's tax loss carry-forwards total DKK 149,370 thousand (2016: DKK 130,104 thousand). The nominal value totals DKK 32,861 thousand (2016: DKK 28,623 thousand) using a tax rate of 22% (2016: 22%).

The Company's deferred tax asset has not been recognised in the balance sheet due to uncertainty as to the future utilisation of the tax losses.

The Company's contingent assets total DKK 10,487 thousand in respect of a payment to the Danish tax authorities regarding a transfer pricing dispute.
Due to the uncertainty as to the timing and outcome of the ultimate resolution of the transfer pricing dispute, the paid amount no longer meets the criteria for capitalisation. Reference is made to note 2.

18 Collateral

The Company has not put up any security or provided other collateral in assets at the balance sheet date.

The Company has provided a bank guarantee amounting to DKK 60 thousand (2016: DKK 314 thousand).

19 Related parties

Adecco A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Adecco Norway AS	Norway	Immidiate Parent Company, shareholder
Adecco SA	Switzerland	Ultimate Parent Company

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Adecco SA	Switzerland	www.adeccogroup.com

Related party transactions

Adecco A/S was engaged in the below related party transactions:

DKK'000	2017	2016
Royalty fees, management costs from parties exercising control	15,834	27,871
Management costs and other costs from other group entities	4,859	2,780
Payables to parties exercising control	0	418
Payables to other group entities	1,054	324
Payables to the Adecco Group cash pool	51,698	45,000
Receivables to parties exercing controlling entities	1,721	0

Information on the remuneration to management

Information on the remuneration to Management appears from note 6, "Staff costs".

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Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Adecco AS	Rosenkrantzgate 16, Oslo, Norge

	DKK'000	2017	2016
20	Fee to the auditors appointed by the Company in general meeting		
	Statutory audit	195	187
	Tax assistance	0	44
	Other assistance	81	56
		276	287

	DKK'000	2017	2016
21	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-29,717	5,139
		-29,717	5,139