

# Adecco A/S

Falkoner Allé 1, 2000 Frederiksberg

CVR no. 12 93 23 75

## Annual report 2019

Approved at the Company's annual general meeting on 22 June 2020

Chairman:

*Torben Sneve*

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## 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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 22 June 2020  
Executive Board:

  
Mickey Maymann  
CEO

Board of Directors:

  
Torben Sneve  
Chairman

  
Mads Hyre-Dybbro

  
Mickey Maymann

## 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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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.

### Emphasis of matter in the financial statements

We draw attention to note 2 to the financial statements, which describes the material uncertainty associated with the outcome of the ultimate resolution of the transfer pricing dispute instituted by the Danish tax authorities (SKAT) and the outcome of legal proceedings instituted by 3F/BJMF against the Company. We have not modified our opinion in respect of this matter.

### 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:

## Independent auditor's report

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 22 June 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Claus Tanggaard Jacobsen  
State Authorised Public Accountant  
mne23314



## 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	<a href="http://www.adecco.dk">www.adecco.dk</a>
Board of Directors	Torben Sneve, Chairman Mads Hyre-Dybbro Mickey Maymann
Executive Board	Mickey Maymann, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea Bank Mendes Gans

## Management's review

### Financial highlights

DKK'000	2019	2018	2017	2016	2015
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#### Key figures

Revenue	437,509	494,919	638,954	939,507	883,747
Gross profit	402,941	452,299	596,145	891,554	841,346
Profit before interest and tax (EBITA)	-24,008	-48,624	-8,223	-20,129	-60,914
Operating profit/loss	-24,007	-48,625	-18,854	6,523	5,721
Net financials	-183	-751	-1,118	-1,384	-532
<b>Profit/loss for the year</b>	<b>-24,190</b>	<b>-49,376</b>	<b>-29,717</b>	<b>5,139</b>	<b>5,196</b>

Total assets	107,485	129,060	165,643	214,700	215,178
Investment in property, plant and equipment	206	347	706	1,996	511
<b>Equity</b>	<b>14,858</b>	<b>39,048</b>	<b>17,324</b>	<b>47,041</b>	<b>41,902</b>

#### Financial ratios

Operating margin	-5.5%	-9.8%	-3.0%	0.7 %	0.6 %
Gross margin	92.1%	91.4%	93.3%	94.9%	95.2%
Return on assets	-20.3%	-33.0%	-9.9%	3.0%	2.8%
Current ratio	135.5%	160.1%	107.3%	118.4%	116.2%
Return on equity	-89.7%	-175.2%	-92.3%	11.6%	13.2%

<b>Average number of employees</b>	<b>957</b>	<b>1,148</b>	<b>1,463</b>	<b>2,002</b>	<b>1,833</b>
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Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

## 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

#### *Ongoing transfer pricing tax audit*

SKAT has raised a claim for the income years 2006-2009 regarding transfer pricing. In 2017, the appeal case was set for the Danish National Tax Tribunal, which supported SKAT's claim. In 2019, the High Court ruled in favor of SKAT.

The Company and the Adecco S.A. Group will continue to defend their position and contest the assessment of SKAT, the Danish National Tax Tribunal and the High Court and has in close corporation with its lawyers decided to appeal the case to the Supreme Court.

SKAT has raised similar claims for the income years 2010-2013. In order to avoid interest on the disputed amounts, the Company has paid in both the claim for 2006-2009 and the claim for 2010-2013.

In April 2020 SKAT has raised claim for the income year 2014, and the Company expects that SKAT may also review the period 2015-2019. The accumulated additional potential tax risk associated with the period 2014-2019 approximates DKK 5.6 million.

As a result of the ruling of the Danish National Tax Tribunal in 2017 and the High Court in 2019 and the uncertainty as to the timing and outcome of the ultimate resolution of the transfer pricing dispute, there is uncertainty as to the recognition and measurement of previous years' income taxes and the income tax provision.

The Company has assessed that the most likely outcome of the ultimate resolution of the transfer pricing dispute will not require further provisions in respect of prior years' income taxes in the income statement.

#### *Arbitration cases*

During the years 2013-2018, Adecco has supplied associates to Copenhagen Metro Team, which is the main contractor on the Metro project in Copenhagen.

In March 2018, the Union (BJMF) opened three specific cases against Adecco in which they claimed that the realised work in comparison to the working plan was in breach of the collective agreement Jord- og Betonoverenskomsten. The case covers the period 2013-2016. Adecco has challenged the claims. In line with normal procedures, the cases was handled in an Arbitration Court. The verdict was received in July 2019.

The verdict was hereafter used as a reference case for the case regarding the remaining population of associates for the years 2013-2016. The arbitration procedure regarding the full population took place during autumn 2019 with a final court case during January 2020. The final verdict regarding the years 2013-2016 was received in February 2020. The verdict resulted in a payment that was higher than the accrual but limited to approximately 6% of the original claim from the Union. The variance is recognised in the 2019 Income Statement including an additional accrual covering the years 2017-2018.

Based on the verdict from the Tribunal, it is Management's clear perception that the accrual made in 2019 for the years 2017-2018 is sufficient. This view is supported by Dansk Byggeri, who is leading the case for Adecco A/S.



## Management's review

### Financial review

The income statement for 2019 shows a loss of DKK 24,190 thousand against a loss of DKK 49,376 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 14,858 thousand. The decline in revenue is mainly driven by lower demand from large clients and finalization of the Metro project in Copenhagen. The markets for staffing and recruitment is highly competitive, with low entry barriers, and consists of a significant number of competitors. The Company still experiences a significant price pressure on particularly the large clients segment putting the gross margin on some individual projects under pressure, which has an adverse effect on the financial performance. Second half of 2018 was used to adjust the cost base to the lower revenue. Further adjustments was made in 2019 to ensure a more healthy balance between revenue and cost base. Full effect of the adjustments are expected in 2020

On this basis, Management considers the loss for 2019 as non satisfactory.

### Statutory CSR report

For the statutory report on corporate social responsibility according to the Danish Financial Statements Act §99a, Adecco A/S refers to the Adecco Group's 2019 Sustainability Report, which can be accessed at: <https://www.adecco.com/sustainability>

### 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 2019, the gender composition on the executive level is 53% women and 47% men. All members of the Board of Directors are men and it consists of the Regional Management and Local Executive Team. Adecco A/S considers an equal split between the genders as the objective before 2023. However, the composition of the Board of Directors consists of employees of defined internal executive members. A change in the composition requires a change in the internal position, which did not take place during 2019.

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

Given the current situation in Denmark with the widespread of the COVID-19 pandemic, it is very difficult to predict the negative effect on the temporary staffing business. Based on thorough scenario analysis we have already taken necessary steps to adjust the cost base and despite the fact that it will be very challenging to deliver surplus in 2020 it will not impact the long-term strategy and focus. The company will thus continue to invest in digitalization and transform the organization to become even more agile in order to be able to meet the competition in the market.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2019	2018
4	<b>Revenue</b>	437,509	494,919
	Other external expenses	-34,568	-42,620
	<b>Gross profit</b>	402,941	452,299
5	<b>Staff costs</b>	-424,489	-497,839
	Amortisation/depreciation of intangible assets and property, plant and equipment	-2,459	-3,085
	<b>Profit/loss before net financials</b>	-24,007	-48,625
	Financial income	0	1
	Financial expenses	-183	-752
	<b>Profit/loss before tax</b>	-24,190	-49,376
	Tax for the year	0	0
	<b>Profit/loss for the year</b>	-24,190	-49,376

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2019	2018
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
6	<b>Intangible assets</b>		
	Acquired software	2,661	3,952
		<u>2,661</u>	<u>3,952</u>
7	<b>Property, plant and equipment</b>		
	Other fixtures and fittings, tools and equipment	298	885
	Leasehold improvements	171	204
		<u>469</u>	<u>1,089</u>
8	<b>Financial assets</b>		
	Other receivables	2,357	2,336
		<u>2,357</u>	<u>2,336</u>
	<b>Total non-current assets</b>	<u>5,487</u>	<u>7,377</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Trade receivables	94,195	91,500
	Receivables from group entities	496	2,724
	Income taxes receivable	2	2
	Other receivables	472	0
9	<b>Prepayments</b>	1,017	1,130
		<u>96,182</u>	<u>95,356</u>
	<b>Cash</b>	5,816	26,327
	<b>Total current assets</b>	<u>101,998</u>	<u>121,683</u>
	<b>TOTAL ASSETS</b>	<u><u>107,485</u></u>	<u><u>129,060</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2019	2018
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
10	Share capital	10,003	10,003
	Retained earnings	4,855	29,045
	<b>Total equity</b>	<u>14,858</u>	<u>39,048</u>
	<b>Non-current liabilities</b>		
	Other provisions	4,100	14,000
	Other payables	13,245	0
	<b>Total non-current liabilities</b>	<u>17,345</u>	<u>14,000</u>
	<b>Current liabilities</b>		
	Trade payables	8,861	8,014
	Payables to group entities	807	214
11	Other payables	65,614	67,784
	<b>Total current liabilities</b>	<u>75,282</u>	<u>76,012</u>
	<b>Total liabilities</b>	<u>92,627</u>	<u>90,012</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>107,485</u></u>	<u><u>129,060</u></u>

- 1 Accounting policies
- 2 Uncertainties regarding recognition and measurement
- 3 Events after the balance sheet date
- 12 Contractual obligations and contingencies, etc.
- 13 Contingent assets
- 14 Collateral
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting
- 17 Appropriation of profit/loss

## Financial statements 1 January - 31 December

## Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2019	10,003	29,045	39,048
17	Transfer, see "Appropriation of profit/loss"	0	-24,190	-24,190
	<b>Equity at 31 December 2019</b>	<b>10,003</b>	<b>4,855</b>	<b>14,858</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Adecco A/S for 2019 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.

#### Income statement

##### Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

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 customer, 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.

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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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 and impairment

The item comprises amortisation/depreciation and impairment 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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of 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".

##### 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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.

#### 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 obligation 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 profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Uncertainties regarding recognition and measurement

##### *Ongoing transfer pricing audit*

In 2013, the Danish tax authorities (SKAT) raised a claim for an amount of DKK 10.5 million 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.

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 appealed the case to the High Court. In 2019, the High Court ruled in favor of SKAT.

The Company and the Adecco S.A. Group will continue to defend their position and contest the assessment of SKAT, the Danish National Tax Tribunal and the High Court and has in close corporation with its lawyers decided to appeal the case to the Supreme Court.

SKAT has raised similar claims for the income years 2010-2013 of DKK 1.2 million, which the Company has paid in 2018 in order to avoid interest on the disputed amount.

In April 2020 SKAT has raised claim for the income year 2014, and the Company expects that SKAT may also review the period 2015-2019. The accumulated additional potential tax risk associated with the period 2014-2019 approximates DKK 5.6 million.

As a result of the ruling of the Danish National Tax Tribunal in 2017 and the High Court in 2019 and the uncertainty as to the timing and outcome of the ultimate resolution of the transfer pricing dispute, there is uncertainty as to the recognition and measurement of previous years' income taxes and the income tax provision.

The Company has assessed that the most likely outcome of the ultimate resolution of the transfer pricing dispute will not require further provisions in respect of prior years' income taxes in the income statement.

##### *Arbitration Cases*

During the years 2013-2018, Adecco has supplied associates to Copenhagen Metro Team, which is the main contractor on the Metro project in Copenhagen.

In March 2018, the Union (BJMF) opened three specific cases against Adecco in which they claimed that the realised work in comparison to the working plan was in breach of the collective agreement Jord- og Betonoverenskomsten. The case covers the period 2013-2016. Adecco has challenged the claims. In line with normal procedures, the cases were handled in an Arbitration Court. The verdict was received in July 2019.

The verdict was hereafter used as a reference case for the case regarding the remaining population of associates for the years 2013-2016. The arbitration procedure regarding the full population took place during autumn 2019 with a final court case during January 2020. The final verdict regarding the years 2013-2016 was received in February 2020. The verdict resulted in a payment that was higher than the accrual but limited to approximately 6% of the original claim from the Union. The variance is recognised in the 2019 Income Statement including an additional accrual covering the years 2017-2018.

Based on the verdict from the Tribunal, it is Management's clear perception that the accrual made in 2019 for the years 2017-2018 is sufficient. This view is supported by Dansk Byggeri, who is leading the case for Adecco A/S.



## Financial statements 1 January - 31 December

### Notes to the financial statements

Negotiations to reach a settlement with the Union regarding the years 2017-2018 is ongoing. If no settlement is reached, the case will be settled by the Tribunal after a new procedure

## 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.

DKK'000	<u>2019</u>	<u>2018</u>
<b>4 Segment information</b>		
<b>Breakdown of revenue by business segment:</b>		
Temporary staffing services	429,086	456,280
Permanent staffing, outsourcing and other services	<u>8,423</u>	<u>38,639</u>
	<u>437,509</u>	<u>494,919</u>
<b>Breakdown of revenue by geographical segment:</b>		
Denmark	<u>437,509</u>	<u>494,919</u>
	<u>437,509</u>	<u>494,919</u>

With reference to section 96 (1) of the Danish Financial Statements Act, the Company does not disclose customer segments 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	<u>2019</u>	<u>2018</u>
<b>5 Staff costs</b>		
Wages/salaries	360,614	419,572
Pensions	30,658	35,919
Other social security costs	25,617	30,146
Other staff costs	<u>7,600</u>	<u>12,202</u>
	<u>424,489</u>	<u>497,839</u>
Average number of full-time employees	<u>957</u>	<u>1,148</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Intangible assets

DKK'000	<u>Acquired software</u>
Cost at 1 January 2019	32,669
Additions in the year	343
Cost at 31 December 2019	<u>33,012</u>
Impairment losses and amortisation at 1 January 2019	28,717
Amortisation/depreciation in the year	1,634
Impairment losses and amortisation at 31 December 2019	<u>30,351</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>2,661</u></b>
Amortised over	<u>3-5 years</u>

#### 7 Property, plant and equipment

DKK'000	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost at 1 January 2019	8,690	5,102	13,792
Additions in the year	147	59	206
Cost at 31 December 2019	<u>8,837</u>	<u>5,161</u>	<u>13,998</u>
Impairment losses and depreciation at 1 January 2019	7,805	4,898	12,703
Amortisation/depreciation in the year	734	92	826
Impairment losses and depreciation at 31 December 2019	<u>8,539</u>	<u>4,990</u>	<u>13,529</u>
<b>Carrying amount at 31 December 2019</b>	<b><u>298</u></b>	<b><u>171</u></b>	<b><u>469</u></b>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>	

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Financial assets

DKK'000	<u>Other receivables</u>
Cost at 1 January 2019	2,336
Additions in the year	21
Cost at 31 December 2019	<u>2,357</u>
Carrying amount at 31 December 2019	<u><u>2,357</u></u>

#### 9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	<u>2019</u>	<u>2018</u>
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#### 10 Share capital

Analysis of the share capital:

10,003 shares of DKK 1,000.00 nominal value each	<u>10,003</u>	<u>10,003</u>
	<u><u>10,003</u></u>	<u><u>10,003</u></u>

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

DKK'000	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Opening balance	10,003	10,002	10,002	10,002	10,002
Capital increase	0	1	10,002	10,002	10,002
	<u>10,003</u>	<u>10,003</u>	<u>20,004</u>	<u>20,004</u>	<u>20,004</u>

DKK'000	<u>2019</u>	<u>2018</u>
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#### 11 Other payables

Other payables	<u>65,614</u>	<u>67,784</u>
	<u><u>65,614</u></u>	<u><u>67,784</u></u>

Other payables primarily consist of holiday accruals, VAT and payables due to the verdict in the arbitration cases.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 12 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 2010-2018 approximates DKK 6,839 thousand.

Adecco A/S is party to a few pending legal actions and arbitration cases. In Management's opinion, the outcome of these legal actions will not further affect the Company's financial position apart from what has already been recognised in the balance sheet at 31 December 2018.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	5,894	7,446

#### 13 Contingent assets

The Company's tax loss carry-forwards total DKK 212,960 thousand (2018: DKK 181,363 thousand). The nominal value totals DKK 46,851 thousand (2018: DKK 39,899 thousand) using a tax rate of 22% (2018: 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.

#### 14 Collateral

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



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 15 Related parties

Adecco A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Adecco Norway AS	Norway	Immediate 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	<a href="http://www.adecgroup.com">www.adecgroup.com</a>

##### Related party transactions

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

DKK'000	2019	2018
Royalty fees, management costs from parties exercising control	6,548	11,713
Management costs and other costs from other group entities	4,746	3,483
Payables to other group entities	119	214
Receivables to parties exercising controlling entities	192	2,724

##### Information on the remuneration to management

Information on the remuneration to Management appears from note 5, "Staff costs".

##### 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	2019	2018
<b>16 Fee to the auditors appointed by the Company in general meeting</b>		
Statutory audit	152	157
Other assistance	92	81
	<u>244</u>	<u>238</u>
<b>17 Appropriation of profit/loss</b>		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-24,190	-49,376
	<u>-24,190</u>	<u>-49,376</u>