THE ADECCO GROUP

Annual Report 2018

Adecco International Financial Services B.V.

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Registered seat in Utrecht, the Netherlands

Content Annual Report 2018
Adecco International Financial Services B.V.

BOARD OF DIRECTORS' REPORT 2018

General information

Adecco International Financial Services B.V. (hereafter 'AIFS B.V.' or the 'Company', is a wholly owned subsidiary of Adecco Group AG. The Adecco Group is based in Zurich, Switzerland. Adecco Group AG is registered in Switzerland and listed on the SIX Swiss Exchange. The group is powered by nine global brands: Adecco, Modis, Badenoch & Clark, Spring Professional, Lee Hecht Harrison, Pontoon, Adia, YOSS and General Assembly.

The Adecco Group is the world's leading workforce solutions partner. The group provides more than 700,000 people with permanent and flexible employment every day. With more than 34,000 employees in 60 countries, the Adecco Group transforms the world of work one job at a time. Our colleagues serve more than 100,000 organizations with the talent, HR services and cutting-edge technology they need to succeed in an ever-changing global economy.

As a Fortune Global 500 company, the group lead by example, creating shared value that meets social needs while driving business innovation. Our culture of inclusivity, fairness and teamwork empowers individuals and organizations, fuels economies and builds better societies. These values resonate with the group's employees, who voted the group in the top five on the Great Place to Work® -World's Best Workplaces 2018 list, for the second year running. We make the future work for everyone.

The activity of AIFS B.V. is to raise finance for the group. AIFS B.V. was incorporated on March 1, 2006. The Company is a private limited liability company, with its registered seat in Utrecht, the Netherlands, having its head office at Hogeweg 123, 5301 LL Zaltbommel, the Netherlands. Registered with the Chamber of Commerce with number: 30212925. The Company is governed by the Netherlands law.

Financial statements

The financial statements have been prepared on the going concern basis in conformity with the Dutch Civil Code. The financial statements of the Company will be filed at the Trade Register of the Chamber of Commerce in Utrecht, the Netherlands, after adoption by the General Meeting of Shareholders.

Company operations

AIFS B.V. is engaged in financing and investment activities for the Adecco Group. AIFS B.V. obtains funds through loans via external banking and capital markets.

Notes

EUR 500 million 7-year guaranteed Euro medium-term notes (2011 – 2018)

On March 31, 2011, AIFS B.V. offered to the existing investors to tender their outstanding notes for cash or exchange the notes into new notes maturing in 2018. To finance the repurchase, AIFS B.V. issued new EUR 500.0 million notes.

On April 14, 2011 the tender and exchange offer as well as the new note issuance were settled with the following details:

- 4.5% 2013 notes: for the repurchase price of 103.06%, EUR 84.1 million nominal value of the outstanding notes were instructed for exchange into the new notes and 82.5 million nominal value were tendered.

- 7.625% 2014 notes: for the repurchase price of 111.53%, EUR 71.2 million nominal value of the outstanding notes were instructed for exchange into the new notes and 72.8 million nominal value were tendered.
- New notes: the new 7-year fixed rate notes have a nominal amount of EUR 500.0 million and mature on April 14, 2018. The coupon is 4.75% and the yield 4.84%, resulting in an issue price of 99.453%.

Since the outstanding notes were trading at a premium, the repurchase triggered a payment exceeding the carrying value of the exchanged notes of EUR 24.1 million. The portion of this payment, amounting to EUR 11.9 million linked to the tendered notes, has been recognized immediately in the income statement, as well as the issuance costs of the new notes to the extent they were used in exchange of the old notes. The remaining EUR 12.2 million is deferred as discount on the new notes issued as part of the effective interest rate. The EUR 500.0 million notes matured in April 2018.

EUR 400 million 6-year guaranteed Euro medium-term notes (2013 – 2019)
In July 2013, AIFS B.V. issued EUR 400.0 million 2.750% fixed rate notes, guaranteed by Adecco Group AG., the parent company, due November 14, 2019. The proceeds were used for general corporate purposes of the Adecco Group.

EUR 500 million 7-year guaranteed Euro medium-term notes (2015 – 2022)
In May 2015, AIFS B.V. issued EUR 500.0 million 1.500% fixed rate notes, guaranteed by Adecco Group AG., the parent company, due November 22, 2022. The proceeds were used for general corporate purposes of the Adecco Group.

EUR 500 million 8-year guaranteed Euro medium-term notes (2016 – 2024)
In December 2016, AIFS B.V. issued EUR 500.0 million 1.000% fixed rate notes, guaranteed by Adecco Group AG., the parent company, due November 22, 2024. The proceeds were used for refinancing purposes of the Adecco Group.

USD 300 million 4-year guaranteed USD medium-term notes (2017 – 2021)
On November 21, 2017, the Company issued USD 300,000,000 (equivalent to EUR 261,620,400 as per December 31, 2018 revalued balance; EUR 249,934,200 as per December 31, 2017 revalued balance) fixed rate notes guaranteed by Adecco Group AG, the parent company, due November 21, 2021 (4-year notes).

The interest is paid on the fixed rate notes annually in arrears at a fixed annual rate of 2.625%, the effective interest rate is 2,803%. The proceeds were used for general purposes of the Adecco Group.

Additional Paid in Capital
In November 2013 the payable to Adecco Group AG., of EUR 3.7 million, was converted into Additional Paid in Capital. In addition, the granted loan of EUR 300 million to Adecco Coordination Center NV has resulted in an informal capital contribution of EUR 21.9 million. As a result of above transactions the equity position at December 31, 2013 amounted to EUR 18.9 million positive.

In November 2014 the payable to Adecco Group AG., of EUR 6.4 million, was converted into Additional Paid in Capital. In addition, the granted loan of EUR 198.4 million to Adecco Coordination Center NV has resulted in an informal capital contribution of EUR 8.3 million. As a result of above transactions the equity position at December 31, 2014 amounted to EUR 25.9 million positive.

In November 2015 the payable to Adecco Group AG., of EUR 6.5 million, was converted into Additional Paid in Capital. The equity position at December 31, 2015 amounted to EUR 21.7 million positive.

There are no movements in 2016 for the additional paid in capital position. The equity position at December 31, 2015 amounted to EUR 11.1 million positive. This change in equity is linked to the result of 2016.

In November 2017 the payable to Adecco Group AG., of EUR 7,1 million, was converted into Additional Paid in Capital. The equity position at December 31, 2017 amounted to EUR 8.2 million positive.

No new notes have been issued in 2018 and there has also not been an additional paid in capital contribution. The equity position at December 31, 2018 amounted to EUR 6.6 million positive. This change in equity is linked to the result of 2018.

Loans and commercial paper
Interest income from Adecco Group companies amounted to EUR 48.0 million in 2018 (2017: EUR 51.9 million), and interest expenses on the issued securities and other financial expenses amounted to EUR 49.1 million in 2018 (2017: EUR 61.5 million). Net loss amounted to EUR 1.6 million in 2018 (2017: loss of EUR 10.0 million).

In March 2018, the Company issued EUR 370 million commercial paper as part of the French, so called 'NEU CP' Commercial Paper Program. Under this program the Company may issue short-term commercial paper up to a maximum of EUR 500 million, with maturity of individual papers of 365 days or less. In order to strengthen the liquidity position of the Adecco Group the Company issued commercial paper in March, ending in June, September, October, November and December.

Guarantee
As described above, AIFS B.V. is a subsidiary of Adecco Group AG. and serves as a funding entity for the benefit of the Adecco Group. Accordingly, the objectives of AIFS B.V. are very much depending on the need of funding within the Adecco Group.

Adecco Group AG. is guarantor for liabilities arising from the notes and / or other instruments issued by AIFS B.V. Accordingly, the financial position and credit worthiness of AIFS B.V. and the Adecco Group must be considered as a whole. The bonds issued by AIFS B.V. are fully guaranteed by Adecco Group AG and a comfort letter is issued by Adecco Group AG. committed to fund AIFS B.V. if needed.

Personnel
AIFS B.V. had no personnel in 2018 (2017: nil).

Prospective information

Out of ongoing business, the 2019 interest income from Adecco Group companies is expected to amount to EUR 43.9 million, and Interest and similar expenses have been budgeted at EUR 36.6 million. The result after taxation is expected to amount to EUR 6.9 million profit. This profit is a result of the bonds that mature in 2018 and 2019 result in less interest expenses.

The Company is as part of the Adecco Group always looking for new financing opportunities if there is a (future) cash need within the group. This can result in issuance of bonds (long-term finance need) or commercial papers (short-term finance need).

Risk management

The purpose of the Company is to provide flexible financing to companies within the Adecco Group. The risks for the Company are mainly financing risks. The Company issues bonds and Commercial Paper Program loans, and the proceeds are lent to other Adecco Group companies as short- and long-term loans.

The risk profile has not changed significantly in the last years. The Company has classified its risk into two categories:

- Financial risks and;
- Reporting and Compliance risks

The company continuously monitors the risks within both categories. The Company's willingness to assume risks and uncertainties (the risk appetite) is limited for each risk category. The level of the Company's risk appetite gives guidance as to whether the Company would take measures to control such uncertainties.

The risk appetite is further clarified in the section below.

Financial risks

Market Risk / Price Risk

The Company is exposed to market/price risk, especially the interest rate risk on loans to Adecco Group companies. The intercompany loan extensions will be renegotiated considering current market interest rates which may be different compared to the rate upon issuance of the bond.

The possibility exists that intercompany loans will bear a lower interest rate than the initial intercompany loan entered into upon issuance of the bond which will have an impact on the profitability of the Company. If the situation requires, the parent company is willing and has the ability to recapitalize the Company or can implement other measures to support the Company to continue as a going concern.

The interest rate risk for the Company is limited as all lending activities are subject to fixed rates and the loans and debts have the same maturity date.

Credit Risk

Credit risk arises mainly from the lending activities of the Company where there is a possibility of incurring losses as a result of a default of a borrower. Since the lending activity is constrained within the Adecco Group, the implicit risk of the Company is the risk for the parent company, Adecco Group AG.

As of December 31, 2018, the credit rating of Adecco Group AG is 'BBB+' (2017: 'BBB+'), by Standard and Poor's and 'Baa1' (2017: 'Baa1') by Moody's, which is considered to be 'strong investment grade' by the market. Therefore, the risk of a credit loss on the group lending is limited.

Furthermore, Adecco Group AG, as a beneficial owner of the Company, ensures that Adecco Group companies can meet their contractual and other obligations to third parties under the guarantee structure.

Liquidity Risk

Liquidity risk refers to the possibility of not being able to meet own payment obligations in full or when due. The Board of Directors believes that the ability to generate cash from operations combined with additional capital resources available is sufficient to support the existing business activities and to meet short and medium-term financial commitments.

Foreign exchange risk
Foreign exchange risk is the risk that the future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured. The Company has foreign exchange risk arising from USD bond issued in 2017. This risk is mitigated by lending on the proceeds to other Adecco Group companies in the same currency.

Reporting and Compliance risks
The complexity of the laws regulating public interest entities have increased in the last years, which means that the Company is subject to increased exposure to non-compliance, which could result in fines or reputational damage.

Internal Control Systems
The Company's internal control system is designed to provide reasonable assurance to Adecco Group management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements. All internal control systems, no matter how well designed, have limitations.

Therefore, even those system determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparations and presentation.

Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Putting controls into practice
There is a monthly result reporting and forecasting to Adecco Group AG as well as quarterly business review meetings with the Board of Directors, where all aspects of the business are scrutinized and discussed with corporate departments, such as Group Treasury, Group Tax, Group Legal and Group Accounting.

The Company submits a management representations letter quarterly that certifies that the corporate policies have been complied with and explains any exceptions or deviations that have occurred. In addition, the Company also submits a legal report that certifies that all applicable laws and regulations have been complied with.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is embedded within the Adecco Group's policy and is based on the CSR Performance ladder level 3. The key principle is the basic right of all individuals to decent and safe work. This principle enables the Company to nurture the right conditions for maximum diversity in the workplace for training and education.

The Company removes obstacles for those for whom access to employment is not (yet) an inevitable given. The Company establish partnerships with civil society organizations who hold the same work-related objectives as ourselves. We take our responsibility for our environment very seriously. Where possible concrete measures to reduce waste, energy consumption and pollution are taken.

Key priorities are:

- Excellence
  Contributing to the positive effects for the stakeholders and society.
- Development of talent (Skills)

Enhancing prospects for self-development, for everyone.

- Integration
  Equal opportunities in the labor market, for everyone.
- Prevention (Safety)
  Effective health and safety, proper conditions of work for everyone.

The Adecco Group is constantly striving to match quality and capacity at work so that individuals can get the best out of themselves. The firm belief is that this will benefit the quality of life for the people who work via the Adecco Group. At the same time this has a positive effect on employers and society in general. In achieving this goal, less capacity will be lost as a result of the under or over-utilization of human capital. This vision ties in with a sustainable employment market.

On the April 10, 2018 the Adecco Group signed a contract for a new Euro 600 million Revolving Credit Facility (RCF). This RCF is the second Environmental Social and Governance (ESG) facility in Switzerland. ESG refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk). Adecco Group is first in her sector and demonstrates her commitment to ESG related matters, joining a very select group of companies that have been the first to take this innovative step with their credit facilities.

Management and Supervision Act (Wet Bestuur en Toezicht)

As of January 1, 2013, the law 'Wet Bestuur en Toezicht', a new Management and Supervision Act came into effect. The new Act requires large-sized legal entities to have a balanced composition of their Board of Directors in terms of gender, with at least 30% of the seats occupied by women and at least 30% by men.

The current composition of the Board of Directors deviates from the above mentioned percentages. With regard to future nominations and appointments, the Board of Directors will take the gender diversity objectives into account as much as possible. The members of the Board of Directors did not receive remuneration in 2018 (2017: nil) in their capacity as Board of Directors of the Company.

The Board of Directors of the Company is composed as follows:

- Hans Ploos van Amstel, director as of September 1, 2015;
- Melvin de Boer, director as of January 9, 2018;
- Wim Six, resigned from the Board of Directors as of February 19, 2018;
- Hans Pruis, resigned from the Board of Directors as of September 20, 2018.

Responsibility statement of the Board of Directors

The Board of Directors confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation rules and regulations.

In accordance with Article 5.25c of the Financial Markets Supervisory Act, and in view of all of the above the Board of Directors confirms, that to its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the financial statements include a fair review of the position at the balance sheet date and the development and performance of the business during the financial year together with a description of the principal risks and uncertainties that the Company faces.

April 17, 2019
The Board of Directors

Melvin de Boer

Hans Ploos van Amstel

FINANCIAL STATEMENTS 2018

Balance sheet

(after proposed appropriation of result)

	Note	Balance sheet as per December 31, 2018 EUR	EUR	Balance sheet as per December 31, 2017 EUR	EUR
Non-current assets					
Long-term loans to Group companies	*4*	1,250,539,495		1,644,894,308	
Total non-current assets			**1,250,539,495**		**1,644,894,308**
Current assets					
Short-term loans to Group companies	*5*	405,542,413		505,090,127	
Interest receivables from Group companies	*6*	7,191,784		20,454,328	
Corporate income tax receivable	*18*	222,389		77,896	
Other receivables from Group companies	*7*	1,127,972		4,975	
Total current assets			**414,084,558**		**525,627,326**
Cash					
Cash	*8*	422,947		268,784	
Total cash			**422,947**		**268,784**
Total assets			**1,665,047,000**		**2,170,790,418**
Shareholder's equity					
Share capital	*9*	2,500,000		2,500,000	
Share premium	*9*	30,223,245		30,223,245	
Additional paid in capital	*9*	23,786,217		23,786,217	
Accumulated losses	*9*	(49,895,336)		(48,329,578)	
Total shareholder's equity			**6,614,126**		**8,179,884**
Non-current liabilities					
Long-term debt, less current maturities	*10*	1,253,618,503		1,639,601,504	
Deferred taxes		-		6,946	
Total non-current liabilities			**1,253,618,503**		**1,639,608,450**
Current liabilities					
Current portion of long-term debt	*11*	399,723,986		499,350,041	
Short-term loans from Group companies	*12*	1,700,000		2,863,305	
Interest payables to Group companies		280		426	
Interest payables to third parties	*13*	3,378,132		20,391,984	
Payables to Group companies	*14*	3,800		136,166	
Other payables		8,173		260,162	
Total current liabilities			**404,814,371**		**523,002,084**
Total shareholder's equity and liabilities			**1,665,047,000**		**2,170,790,418**

The accompanying notes are an integral part of these financial statements.

Income statement

	Note	Income statement over the year 2018 EUR	EUR	Income statement over the year 2017 EUR	EUR
Financial income					
Interest income from Group companies	*15*	48,040,254		51,847,783	
Foreign exchange gain		20,995		-	
Total financial income			**48,061,249**		**51,847,783**
Financial expenses					
Interest and similar expenses	*16*	(49,147,321)		(61,504,976)	
Foreign exchange loss		-		(5,044)	
Total financial expenses			**(49,147,321)**		**(61,510,020)**
Financial result			**(1,086,072)**		**(9,662,237)**
General and administrative expenses	*17*		(165,064)		(64,922)
Operating result			**(165,064)**		**(64,922)**
Result before taxation			**(1,251,136)**		**(9,727,159)**
Taxes					
Deferred taxes	*18*	6,946		26,413	
Income taxes	*18*	(321,568)		(336,031)	
Total taxes			**(314,622)**		**(309,618)**
Result after taxation			**(1,565,758)**		**(10,036,777)**

The accompanying notes are an integral part of these financial statements.

Cash flow statement

	Note	Cash flow statement over the year 2018		Cash flow statement over the year 2017	
		EUR	EUR	EUR	EUR
Operating activities					
Result after taxation			(1,565,758)		(10,036,777)
Adjustments for:					
Interest income from Group Companies	*15*		(48,040,254)		(51,847,783)
Interest and similar expenses	*16*		49,147,321		61,504,976
FX revaluation			(20,563)		-
Change in working capital					
Receivables and payables to Group companies	*7&14*	(1,318,727)		849,874	
Taxes	*18*	314,622		309,618	
Other payables		(251,989)		(211,649)	
			(1,256,094)		947,843
Current income tax paid	*18*		(466,061)		(548,394)
Cash flow from / (used in) operating activities			**(2,201,409)**		**19,865**
Investing activities					
Issuance of Short-term loans to Group companies	*4&5*	(800,000)		(14,428,056)	
Collection of Short-term loans to Group companies	*4&5*	501,711,563		6,677,434	
Issuance of Long-term loans to Group companies	*4&5*	-		(247,172,427)	
Interest received during the year		66,292,222		54,885,927	
Cash flow from / (used in) investing activities			**567,203,785**		**(200,037,122)**
Financing activities					
Issuance of Long-term debt	*10*	-		249,934,200	
Repayment of Long-term debt	*11*	(500,000,000)		-	
Issuance of commercial paper	*16*	370,528,239		104,070,413	
Repayment of commercial paper	*16*	(370,000,000)		(104,000,000)	
Loans from Group companies	*12*	1,700,000		2,863,305	
Collection loans from Group companies	*12*	(2,863,305)		-	
Interest paid during the year		(64,213,147)		(59,726,871)	
Additional paid in capital	*9*	-		7,112,686	
Cash flow from / (used in) financing activities			**(564,848,213)**		**200,253,733**
Change in cash			**154,163**		**236,476**
Cash at beginning of year	*8*		268,784		32,308
Cash at end of year	*8*		422,947		268,784
Change in cash			**154,163**		**236,476**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. General

Adecco International Financial Services B.V. (hereafter 'AIFS B.V.' or the 'Company', is a wholly owned subsidiary of Adecco Group AG. The Adecco Group is based in Zurich, Switzerland. Adecco Group AG is registered in Switzerland and listed on the SIX Swiss Exchange. The group is powered by nine global brands: Adecco, Modis, Badenoch & Clark, Spring Professional, Lee Hecht Harrison, Pontoon, Adia, YOSS and General Assembly.

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The activity of AIFS B.V. is to raise finance for the group. AIFS B.V. was incorporated on March 1, 2006. The Company is a private limited liability company, with its registered seat in Utrecht, the Netherlands, having its head office at Hogeweg 123, 5301 LL Zaltbommel, the Netherlands. Registered with the Chamber of Commerce with number: 30212925. The Company is governed by the Netherlands law.

The financial statements have been prepared on the going concern basis in conformity with the Dutch Civil Code. The financial statements of the Company will be filed at the Trade Register of the Chamber of Commerce in Utrecht, the Netherlands, after adoption by the General Meeting of Shareholders.

The financial statements of the Company are included in the consolidated financial statements of Adecco Group AG. Copies of the consolidated financial statements are available at the head office of the parent company.

2. Summary of significant accounting policies

The principal accounting policies adopted in preparing the financial statements of the Company are as follows:

a) Basis of presentation

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the Company.

Assets and liabilities are generally measured at historical cost or at fair value at the time of acquisition. The balance sheet and profit and loss account contain references. These refer to the disclosures in the financial statements.

The valuation principles and method of determining the result are the same as those used in the previous year.

b) Use of estimates

The preparation of financial statements in conformity with Dutch GAAP requires management to make judgements, assumptions, and estimates that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, management evaluates its estimates which is related to the allowance for doubtful accounts.

The Company bases its estimates on historical experience and on various other market-specific assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results differ from those estimates.

c) Reporting currency

Items included in the financial statements of Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency) and reflects the significance of the Company's Euro-dominated operations. The financial statements are presented in euros (EUR), which is the functional and presentation currency of the Company.

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement.

d) Related parties

All legal entities, natural persons and other related companies which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the true and fair view.

e) Long term loans to and from Group companies

Long terms loans to and from Group companies are recognised initially at fair value, net of transaction cost and subsequently measured at amortised cost.

The Company assesses at each balance sheet date whether there is objective evidence that the loans to Group companies is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

The amount of an impairment loss incurred on loans to Group companies stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised through income statement.

The balances of loans to Group companies that are expected to be recovered or collected more than twelve months after the reporting date are presented as non-current assets.

f) Current assets

Current assets consists of corporate income tax receivables and amounts due from Group companies that are expected to be recovered or collected within twelve months after the reporting date. Also included as current assets are the balances pertaining to the interest income earned during the year but are expected to be collected within twelve months after the reporting date. These are stated at amortised costs.

Short terms loans to Group companies are recognised initially at fair value, net of transaction cost and subsequently measured at amortised cost.

g) Cash

Cash is stated at nominal value. The cash balance at the year-end represents cash held at banks at the free disposal of the Company.

h) Shareholder's equity

Share capital, comprising of common shares, is classified as equity.

Share premium includes consideration received in excess of the par value on the issuance of share capital.

Additional paid-in capital pertains to the amounts received from the parent Company after the issuance of share to ensure that strengthen the equity position of the Company.

i) Long-term debt

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

The amounts to be paid more than twelve months after the reporting date are presented as non-current liabilities.

j) Deferred taxes

Deferred tax assets and liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other.

The computation of the deferred tax assets and liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. Deferred tax balances are measured at nominal value.

k) Current liabilities

Current liabilities consists of amounts due to Group companies, other payables (to third parties or accrued expenses) and portion of the long-term debt that are expected to be paid within twelve months after the reporting date. Also included as current liabilities are the balances pertaining to the interest expenses incurred during the year but are expected to be paid within twelve months after the reporting date. These are stated at amortised costs. Short terms loans from Group companies are recognised initially at fair value, net of transaction cost and subsequently measured at amortised cost.

l) Determination of the result

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

General and administrative expenses are determined on a historical basis and are attributed to the reporting year to which they relate. Expenses incurred in the direction and general administration of day-to-day operations of the Company and are generally recognised when the service is used or the expense arises.

m) Income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Taxation is based on a tax ruling concluded with the Dutch fiscal authorities. The effective tax rate applied will differ from the nominal tax rate of 25.0% (2017: 25.0%).

n) Cash flow statement

The Company’s cash flow has been included in the consolidated cash flow statement of the parent company. To be in line with the practice in the capital market, the Company prepares cash flow statement, using the indirect method.

The cash items included in the cash flow statement consists of current accounts maintained with local banks. Cash flows denominated in foreign currencies have been translated at average exchange rates and exchange differences affecting the cash balance is included in the respective amounts.

Cash from loans granted to group companies are included in investing activities. Cash from borrowings including additional paid-in capital are included in the financing activities. Interest received and paid and all other movements in the cash balance are included in operating activities.

3. Risk disclosure

This risk paragraph is a copy of the risk management paragraph as reported in the Board of Directors’ Report.

The purpose of the Company is to provide flexible financing to companies within the Adecco Group. The risks for the Company are mainly financing risks. The Company issues bonds and Commercial Paper Program loans, and the proceeds are lent to other Adecco Group companies as short- and long-term loans.

The risk profile has not changed significantly in the last years. The Company has classified its risk into two categories:

- Financial risks and;
- Reporting and Compliance risks

The company continuously monitors the risks within both categories. The Company’s willingness to assume risks and uncertainties (the risk appetite) is limited for each risk category. The level of the Company’s risk appetite gives guidance as to whether the Company would take measures to control such uncertainties.

The risk appetite is further clarified in the section below.

Financial risks

Market Risk / Price Risk

The Company is exposed to market/price risk, especially the interest rate risk on loans to Adecco Group companies. The intercompany loan extensions will be renegotiated considering current market interest rates which may be different compared to the rate upon issuance of the bond.

The possibility exists that intercompany loans will bear a lower interest rate than the initial intercompany loan entered into upon issuance of the bond which will have an impact on the profitability of the Company. If the situation requires, the parent company is willing and has the ability to recapitalize the Company or can implement other measures to support the Company to continue as a going concern.

The interest rate risk for the Company is limited as all lending activities are subject to fixed rates and the loans and debts have the same maturity date.

Credit Risk

Credit risk arises mainly from the lending activities of the Company where there is a possibility of incurring losses as a result of a default of a borrower. Since the lending activity is constrained within the Adecco Group, the implicit risk of the Company is the risk for the parent company, Adecco Group AG.

As of December 31, 2018, the credit rating of Adecco Group AG is 'BBB+' (2017: 'BBB+'), by Standard and Poor's and 'Baa1' (2017: 'Baa1') by Moody's, which is considered to be 'strong investment grade' by the market. Therefore, the risk of a credit loss on the group lending is limited.

Furthermore, Adecco Group AG, as a beneficial owner of the Company, ensures that Adecco Group companies can meet their contractual and other obligations to third parties under the guarantee structure.

Liquidity Risk

Liquidity risk refers to the possibility of not being able to meet own payment obligations in full or when due. The Board of Directors believes that the ability to generate cash from operations combined with additional capital resources available is sufficient to support the existing business activities and to meet short and medium-term financial commitments.

Foreign exchange risk

Foreign exchange risk is the risk that the future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured. The Company has foreign exchange risk arising from USD bond issued in 2017. This risk is mitigated by lending on the proceeds to other Adecco Group companies in the same currency.

Reporting and Compliance risks

The complexity of the laws regulating public interest entities have increased in the last years, which means that the Company is subject to increased exposure to non-compliance, which could result in fines or reputational damage.

Internal Control Systems

The Company's internal control system is designed to provide reasonable assurance to Adecco Group management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements. All internal control systems, no matter how well designed, have limitations.

Therefore, even those system determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparations and presentation.

Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Putting controls into practice

There is a monthly result reporting and forecasting to Adecco Group AG as well as quarterly business review meetings with the Board of Directors, where all aspects of the business are scrutinized and discussed with corporate departments, such as Group Treasury, Group Tax, Group Legal and Group Accounting.

The Company submits a management representations letter quarterly that certifies that the corporate policies have been complied with and explains any exceptions or deviations that have occurred. In addition, the Company also submits a legal report that certifies that all applicable laws and regulations have been complied with.

4. Long-term loans to Group companies

The long-term loans to Group companies can be detailed as follows:

Group Company	Interest rate	01-01-2018 Opening balance EUR	Additions / FX revaluations EUR	Redemption / Transfers * EUR	Amortisation EUR	31-12-2018 Closing balance EUR
d) Adecco Beteiligungs GmbH, Germany	3.630%	98,444,000		(98,444,000)		-
e) Adecco Coordination Center S.A., Luxembourg	5.000%	307,467,881		(307,467,881.00)		-
f) Adecco Secad Ltd, Bermuda	2.400%	497,250,000				497,250,000
g) Adecco Refinancing B.V., The Netherlands	1.600%	167,154,000				167,154,000
h) Adecco Refinancing B.V., The Netherlands	1.340%	199,867,000				199,867,000
i) Adecco Refinancing B.V., The Netherlands	1.680%	127,539,000				127,539,000
j) Adecco Secad Ltd, Bermuda **	3.525%	247,172,427	11,557,068			258,729,495
Long-term loans to Group companies		**1,644,894,308**	**11,557,068**	**(405,911,881)**	**-**	**1,250,539,495**

** Transfers of loans relate to loans maturing in 2019 and have been reclassed from long-term loans to short-term loans as per 31-12-2018.*

*** The long-term loan to Adecco Secad Ltd, Bermuda is stated in USD and is impacted by the foreign exchange rate.*

Group Company	Interest rate	01-01-2017 Opening balance EUR	Additions / FX revaluations EUR	Redemption / Transfers * EUR	Amortisation EUR	31-12-2017 Closing balance EUR
a) Adecco Beteiligungs GmbH, Germany	3.180%	161,366,000	-	(161,366,000)		-
b) Adecco Holding Europe B.V., The Netherlands	3.460%	114,163,252	-	(114,163,252)		-
c) Adecco Coordination Center S.A., Luxembourg	4.600%	201,332,307	-	(199,173,089)	(2,159,218)	-
d) Adecco Beteiligungs GmbH, Germany	3.630%	98,444,000	-	-	-	98,444,000
e) Adecco Coordination Center S.A., Luxembourg	5.000%	311,172,324	-	-	(3,704,443)	307,467,881
f) Adecco Secad Ltd, Bermuda	2.400%	497,250,000	-	-	-	497,250,000
g) Adecco Refinancing B.V., The Netherlands	1.600%	167,154,000	-	-	-	167,154,000
h) Adecco Refinancing B.V., The Netherlands	1.340%	199,867,000	-	-	-	199,867,000
i) Adecco Refinancing B.V., The Netherlands	1.680%	127,539,000	-	-	-	127,539,000
j) Adecco Secad Ltd, Bermuda	3.525%	-	247,172,427	-	-	247,172,427
Long-term loans to Group companies		**1,878,287,883**	**247,172,427**	**(474,702,341)**	**(5,863,661)**	**1,644,894,308**

** Transfers of loans relate to loans maturing in 2018 and have been reclassed from long-term loans to short-term loans as per 31-12-2017.*

Loans related to bond issued 2011

In April 2011, the Company completed tender and exchange offers for the outstanding EUR 500,000,000 fixed rate guaranteed bond due 2014 and EUR 500,000,000 fixed rate guaranteed bond due 2013 and issued new EUR 500,000,000 7-year unsubordinated fixed rate bond guaranteed by Adecco Group AG, due April 14, 2018.

a) On April 25, 2013, Adecco Beteiligungs GmbH repaid EUR 333,384,000. The remainder between the amount lent (EUR 494,750,000) and the outstanding debt of EUR 333,384,000, of EUR 161,366,000 was re-issued to Adecco Beteiligungs GmbH, Germany. This loan is classified as short-term as of December 31, 2017. The loan is repaid in April 2018.

b) In 2009, the Company granted a loan to Adecco Holding Europe B.V., the Netherlands of EUR 252,083,013. This loan was transferred to short term as of December 31, 2013. In 2014, this loan was partially repaid by Adecco Holding Europe B.V. and the remainder of EUR 129,743,903 was re-issued.. In December 2016, Adecco Holding Europe B.V. repaid EUR 15,580,651. The remaining balance is classified as short term as of December 31, 2017. The loan is repaid in April 2018.

c) The Company granted a loan of EUR 198,463,974 to Adecco Coordination Center S.A. The loan accrues interest at an annual rate of 4.60%, that is payable annually in arrears every April 13 and matures on April 13, 2018.

   For tax and commercial purposes, the EUR 198,463,974 loan to Adecco Coordination Center S.A. (Luxembourg Branch) accrues interest at an annual rate of 4.60% (effective interest rate 3.46%). This interest rate is based on the tax rulings of the Company to earn a specific margin on the intercompany lending activities.

   In order to comply with the Dutch Civil Code for financial statements, the variance between the fair value of this loan at market rate and the nominal amount of the loan is recorded as a capital injection. The loan is reported at amortised cost (2017: EUR 199,173,089) and is classified as short-term as of December 31, 2017. The loan is repaid in April 2018.

Loans related to bond issued 2013

In July 2013, the Company issued EUR 400,000,000 6-year unsubordinated fixed rate bond guaranteed by Adecco Group AG, due November 15, 2019.

d) The Company granted a loan of EUR 98,444,000 to Adecco Beteiligungs GmbH, Germany. The loan accrues interest at an annual rate of 3.63% that is payable annually in arrears every November 15 and matures on November 15, 2019. The loan is classified as short term as of December 31, 2018.

e) The Company granted a loan of EUR 300,000,000 to Adecco Coordination Center S.A. The loan accrues interest at an annual rate of 5.00%, that is payable annually in arrears every November 15 and matures on November 15, 2019.

   For tax and commercial purposes, the EUR 300,000,000 loan to Adecco Coordination Center S.A. (Luxembourg Branch) accrues interest at an annual rate of 5.00% (effective interest rate 3.63%). This interest rate is based on the tax rulings of the Company to earn a specific margin on the intercompany lending activities.

   In order to comply with the Dutch Civil Code for financial statements, the variance between the fair value of this loan at market rate and the nominal amount of the loan is recorded as a capital injection. The loan is reported at amortised cost of EUR 303,628,964 (2017: EUR 307,467,881) and is classified as short-term as of December 31, 2018.

Loans related to bond issued 2015

In May 2015, the Company issued EUR 500,000,000 7-year unsubordinated fixed rate bond guaranteed by Adecco Group AG due November 22, 2022.

f) The Company granted a loan of EUR 497,250,000 to Secad Ltd, Bermuda. The loan accrues interest at an annual rate of 2.40% that is payable annually in arrears every November 22 and matures on November 22, 2022.

Loans related to bond issued 2016

In December 2016, the Company issued EUR 500,000,000 8-year unsubordinated fixed rate bond guaranteed by Adecco Group AG due December 2, 2024.

g) The Company granted a loan of EUR 167,154,000 to Adecco Refinancing B.V. The loan accrues interest at an annual rate of 1.60% that is payable annually in arrears every December 2 and matures on December 2, 2024.

h) The Company granted a loan of EUR 199,867,000 to Adecco Refinancing B.V. The loan accrues interest at an annual rate of 1.34% that is payable annually in arrears every December 2 and matures on December 2, 2024.

i) The Company granted a loan of EUR 127,539,000 to Adecco Refinancing B.V. The loan accrues interest at an annual rate of 1.68% that is payable annually in arrears every December 2 and matures on December 2, 2024.

Loans related to bond issued 2017

In November 2017, the Company issued USD 300,000,000 (equivalent to EUR 261,620,400 at December 31, 2018 revalued balance; EUR 249,934,200 at December 31, 2017) 4-year unsubordinated fixed rate bond guaranteed by Adecco Group AG due November 21, 2021.

j) The Company granted a loan of USD 296,685,000 (equivalent to EUR 258,729,495 as of December 31, 2018 revalued balance; EUR 247,172,427 as of December 31, 2017 revalued balance) to Secad Ltd, Bermuda. The loan accrues interest at an annual rate of 3.525% that is payable annually in arrears every November 21 and matures on November 21, 2021. The increased value of the loan in EUR is related to the change in the foreign exchange USD versus EUR between December 31, 2018 and December 31, 2017.

Interest rates mentioned are also the effective interest rates as loans are issued at par 100% and repaid at par 100% and there are no transaction costs for these loans.

As at December 31, 2018 and 2017, no impairment loss was recognised.

5. Short-term loans to Group companies

The short-term loans to Group companies can be detailed as follows:

Group Company	Interest rate	31-12-2018 EUR	31-12-2017 EUR
a) Adecco Coordination Center S.A., Luxembourg	4.600%	-	199,173,089
b) Adecco Beteiligungs GmbH, Germany	3.180%	-	161,366,000
c) Adecco Holding Europe B.V., The Netherlands	3.460%	-	114,163,252
d) Adecco Holding Europe B.V., The Netherlands	0.240%	-	12,039,500
e) Adecco Beteiligungs GmbH, Germany	0.240%	-	15,986,223
f) Adecco Refinancing B.V., The Netherlands	0.160%	-	2,362,063
g) Adecco Refinancing B.V., The Netherlands	3.630%	98,444,000	-
h) Adecco Coordination Center S.A., Luxembourg	5.000%	303,628,964	-
i) Adecco Refinancing B.V., The Netherlands	0.250%	2,669,449	-
j) Adecco International Holding B.V., The Netherlands	0.190%	800,000	-
Short-term loans to Group companies		**405,542,413**	**505,090,127**

Loans related to bond issued 2011

a) The loan of EUR 199,173,089 to Adecco Coordination Center S.A. (Luxembourg Branch) is classified as short-term as of December 31, 2017. The loan is repaid in April 2018.

b) The loan of EUR 161,366,000 to Adecco Beteiligungs GmbH, Germany is classified as short-term as of December 31, 2017. The loan is repaid in April 2018.

c) The loan of EUR 114,163,252 to Adecco Holding Europe B.V., the Netherlands is classified as short-term as of December 31, 2017. The loan is repaid in April 2018.

d) In December 2017, the Company issued a new loan to Adecco Holding Europe B.V., the Netherlands for an amount of EUR 12,039,500. The loan is repaid in April 2018

Loans related to bond issued 2013

e) In December 2016, the Company issued a new loan to Adecco Beteiligungs GmbH, Germany for the amount of EUR 15,959,732 which is renewed in December 2017 including the accrued interest resulting in a loan of EUR 15,986,223. The loan is repaid in April 2018.

g) The Company granted a loan of EUR 98,444,000 to Adecco Beteiligungs GmbH, Germany. The loan accrues interest at an annual rate of 3.63% that is payable annually in arrears every November 15 and matures on November 15, 2019. The loan is classified as short term as of December 31, 2018.

h) The Company granted a loan of EUR 300,000,000 to Adecco Coordination Center S.A. The loan accrues interest at an annual rate of 5.00%, that is payable annually in arrears every November 15 and matures on November 15, 2019.

For tax and commercial purposes, the EUR 300,000,000 loan to Adecco Coordination Center S.A. (Luxembourg Branch) accrues interest at an annual rate of 5.00% (effective interest rate 3.63%). This interest rate is based on the tax rulings of the Company to earn a specific margin on the intercompany lending activities.

In order to comply with the Dutch Civil Code for financial statements, the variance between the fair value of this loan at market rate and the nominal amount of the loan is recorded as a capital injection. The loan is reported at amortised cost of EUR 303,628,964 (2017: EUR 307,467,881) and is classified as short-term as of December 31, 2018.

Other loans

f) The Company granted a loan of EUR 2,362,063 to Adecco Refinancing B.V. in April 2017 which matured in April 2018.

i) The Company granted a loan of EUR 2,669,449 to Adecco Refinancing B.V. in April 2018 which will mature in April 2019.

j) The Company granted a loan of EUR 800,000 to Adecco International Holding B.V. in November 2018 which will mature in November 2019.

Interest rates mentioned are also the effective interest rates as loans are issued at par 100% and repaid at par 100% and there are no transaction costs for these loans.

As at December 31, 2018 and 2017, no impairment loss was recognised.

6. Interest receivables from Group companies

The interest receivables from Group companies can be detailed as follows:

Group Company	31-12-2018 EUR	31-12-2017 EUR
Adecco Beteiligungs GmbH, Germany	466,928	4,216,792
Adecco Holding Europe B.V., The Netherlands	199	2,890,650
Adecco Coordination Center S.A., Luxembourg	1,931,307	8,600,799
Adecco Secad Ltd, Bermuda	2,321,193	2,275,928
Adecco Refinancing B.V., The Netherlands	2,472,157	2,470,159
Interest receivables from Group companies	**7,191,784**	**20,454,328**

7. Other receivables from Group companies

The other receivables from Group companies can be detailed as follows:

Group Company	31-12-2018 EUR	31-12-2017 EUR
Adecco Coordination Center S.A., Belgium	-	4,975
Adecco Group AG, Switzerland	1,127,972	-
Other receivables from Group companies	**1,127,972**	**4,975**

The balance with Adecco Group AG relates to an overpayment of guarantee fees done in 2018 (to receive) and the accrued guarantee fee for the 2017 USD bond (to pay).

8. Cash

Cash is stated at nominal value. The cash balance at the year-end represents cash held at banks and is readily available.

9. Shareholder's equity

The authorized share capital amounts to EUR 12,500,000 divided into 12,500 shares, each with a nominal value of EUR 1,000. As of December 31, 2018, there were 2,500 shares registered and fully paid in.

Shareholder's equity 2018	**Share capital**	**Share premium**	**Additional paid in capital**	**Accumulated losses**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Shareholder's equity January 1, 2018	2,500,000	30,223,245	23,786,217	(48,329,578)	8,179,884
Result after taxation	-	-	-	(1,565,758)	(1,565,758)
Shareholder's equity December 31, 2018	**2,500,000**	**30,223,245**	**23,786,217**	**(49,895,336)**	**6,614,126**

Shareholder's equity 2017	**Share capital**	**Share premium**	**Additional paid in capital**	**Accumulated losses**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Shareholder's equity January 1, 2017	2,500,000	30,223,245	16,673,531	(38,292,801)	11,103,975
Result after taxation	-	-	-	(10,036,777)	(10,036,777)
Conversion of intercompany payable	-	-	7,112,686	-	7,112,686
Shareholder's equity December 31, 2017	**2,500,000**	**30,223,245**	**23,786,217**	**(48,329,578)**	**8,179,884**

These financial statements have been prepared on the basis that the result for the year will be charged to accumulated losses account. A proposal will be made at the General Meeting of Shareholders.

Additional paid in capital is the result of a conversion of the payable to Adecco Group AG. In November 2017, the parent company decided to convert the amount due from the Company amounting to EUR 7,112,686 to additional paid in capital in order to strengthen the equity position of the Company. No additional paid in capital transaction was in place for 2018.

10. Long-term debt

The long-term can be detailed as follows:

Group Company	**Interest rate**	**Maturity**	**31-12-2018** **EUR**	**31-12-2017** **EUR**
Nominal value bond issued 2017 300M USD *	2.625%	2021	261,620,400	249,934,200
Issuance discount and costs			(2,047,719)	(2,646,698)
Nominal value bond issued 2016 500M EUR	1.000%	2024	500,000,000	500,000,000
Issuance discount and costs			(4,592,800)	(5,369,056)
Nominal value bond issued 2015 500M EUR	1.500%	2022	500,000,000	500,000,000
Issuance discount and costs			(1,361,378)	(1,716,530)
Nominal value bond issued 2013 400M EUR **	2.750%	2019	-	400,000,000
Issuance discount and costs			-	(600,412)
Long-term debt, less current maturities			**1,253,618,503**	**1,639,601,504**

** 2017 Bond is stated in USD and is impacted by the foreign exchange rate. This revaluation is included in the data as per 31-12-2018*

*** 2013 Bond will mature in 2019 and has been reclassed from long-term debt to current portion of long-term debt as per 31-12-2018*

All bonds are listed at the London Stock Exchange, United Kingdom.

On December 2, 2016, the Company issued three loans to Adecco Refinancing B.V. (reference to note 4). The proceeds were used by Adecco Refinancing B.V. to initiate the bond buyback program which was launched by the Adecco Group.

As a result of this buyback, Adecco Refinancing B.V. is holding EUR 152,250,000 of the 2011 bond (due 2018) and EUR 185,579,000 of the 2013 bond (due 2019). The 2011 bond matured in 2018 and is therefore not shown in the table below for 2018. The table below presents the long-term debt both non-current and current (note 10 and 11).

Nominal amounts held by participants after buyback programm	**31-12-2018** **EUR**	**31-12-2017** **EUR**
Third parties	1,476,041,400	1,812,105,200
Group companies	185,579,000	337,829,000
Nominal amounts held by participants after buyback programm	**1,661,620,400**	**2,149,934,200**

Bond issued 2011
On April 14, 2011, the Company issued EUR 500,000,000 fixed rate bond guaranteed by Adecco Group AG, the parent company, due April 14, 2018 (7-year bond). The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 4.75%, the effective interest rate is 4.84%. This bond is repaid in April 2018.

Bond issued 2013
On July 16, 2013, the Company issued EUR 400,000,000 fixed rate bond guaranteed by the parent company, due November 15, 2019 (6-year 122 days bond). The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 2.75%, the effective interest rate is 2.77%. The net proceeds, EUR 398,444,000, were used for general purposes of the Adecco Group.

Bond issued 2015
On May 18, 2015, the Company issued EUR 500,000,000 fixed rate bond guaranteed by the parent company, due November 22, 2022 (7-year 184 days bond). The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 1.50%, the effective interest rate is 1.509%.

Bond issued 2016
On December 2, 2016, the Company issued EUR 500,000,000 fixed rate bond guaranteed by the parent company, due December 2, 2024 (8-year bond). The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 1.00%, the effective interest rate is 1.110%. The issuance fee related to the bond is EUR 471,810. The net proceeds, EUR 494,560,000, were partially used for the bond buyback program of the Adecco Group.

Bond issued 2017
On November 21, 2017, The Company issued USD 300,000,000 (equivalent to EUR 261,620,400 as per December 31, 2018 revalued balance; equivalent to EUR 249,934,200 as per December 31, 2017 revalued balance) fixed rate bond guaranteed by the parent company, due November 21, 2021 (4-year bond). The Company as the issuer has an option to redeem the bond at any point within the term of the instrument.

The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 2.625%, the effective interest rate is 2,803%. The issuance fee related to the bond is EUR 260,162. The net proceeds were used for general purposes of the Adecco Group.

11. Current portion of long-term debt

The current portion of long-term debt can be detailed as follows:

	31-12-2018 EUR	31-12-2017 EUR
Nominal value bond issued 2011 500M EUR	-	500,000,000
Issuance discount, costs and exchange premium	-	(649,959)
Nominal value bond issued 2013 400M EUR *	400,000,000	-
Issuance discount and costs	(276,014)	-
Current portion of long-term debt	**399,723,986**	**499,350,041**

** 2013 Bond will mature in 2019 and has been reclassed from long-term debt to current portion of long-term debt as per 31-12-2018*

In 2017, the outstanding principal of the fixed-rate bond of 2001 of EUR 500,000,000 guaranteed by the parent company, due April 14, 2018 is reclassified from long-term debt to short-term debt due to the maturity within one year. The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 4.75%, the effective interest rate is 4.84%. This bond is repaid in April 2018.

Related to the bond issued in 2011 bonds with a nominal amount of EUR 152,250,000 is being held by Group companies (reference to note 10) and matured in April 2018.

In 2018, the outstanding principal of the fixed-rate bond of 2013 of EUR 400,000,000 guaranteed by the parent company, due November 15, 2019 is reclassified from long-term debt to short-term debt due to the maturity within one year. The interest is paid on the fixed rate bond annually in arrears at a fixed annual rate of 2.75%, the effective interest rate is 2.77%.

Related to the bond issued in 2013 bonds with a nominal amount of EUR 185,579,000 is being held by Group companies (reference to note 10) and will mature in November 2019.

12. Short-term loans from Group companies

The short-term loans from Group companies can be detailed as follows:

Group Company	Interest rate	31-12-2018 EUR	31-12-2017 EUR
Adecco Refinancing B.V., The Netherlands	0.170%	-	1,230,305
Adecco Group AG, Switzerland	0.170%	-	1,633,000
Adecco Holding Europe B.V., The Netherlands	0.210%	1,700,000	-
Short-term loans from Group companies		**1,700,000**	**2,863,305**

13. Interest payables to third parties

The interest payables to third parties of EUR 3,378,132 (2017: EUR 20,391,984) relates to the interest accrued and not yet paid on the fixed rate bonds described in notes above. The amount decreased compared to 2017 as the 2011 bond matured in April 2018 and the coupon is paid in April 2018 together with the repayment of the bond.

14. Payables to Group companies

The payables to Group Companies can be detailed as follows:

Group Company	31-12-2018 EUR	31-12-2017 EUR
Adecco Group AG, Switzerland	-	129,515
Adecco Holding Europe B.V., The Netherlands	3,800	6,651
Payables to Group companies	**3,800**	**136,166**

15. Interest income from Group companies

The interest income from Group companies can be detailed as follows:

Group Company	2018 EUR	2017 EUR
Adecco Coordination Center S.A., Luxembourg	13,255,417	18,394,644
Adecco Secad Ltd, Bermuda	20,785,006	12,909,505
Adecco Beteiligungs GmbH, Germany	5,114,384	8,855,680
Adecco Refinancing B.V., The Netherlands	7,672,267	7,672,557
Adecco Holding Europe B.V., The Netherlands	1,212,981	4,010,478
Adecco Coordination Center S.A., Belgium	-	4,919
Adecco International Holding B.V., The Netherlands	199	-
Interest income from Group companies	**48,040,254**	**51,847,783**

16. Interest and similar expenses

The interest and similar expenses can be detailed as follows:

	2018 EUR	2017 EUR
Change to interest on Long-term debt		
Interest on fixed rate bonds	36,866,876	47,989,123
Guarantee fee to Adecco Group AG, Switzerland	9,702,029	9,516,374
Amortisation of discount and issuance cost	2,957,149	3,883,992
Other financing fees	148,372	115,061
Negative interest commercial paper	(528,239)	-
Interest expense from Group companies	1,134	426
Interest and similar expenses	**49,147,321**	**61,504,976**

17. General and administrative expenses

The general and administrative expenses can be detailed as follows:

	2018 EUR	2017 EUR
Tax consulting and audit expenses	87,758	33,461
Recharged staff expenses from Adecco Holding Europe B.V., The Netherlands	50,731	28,479
Banking expenses	21,070	2,048
Other operating expenses	5,505	934
General and administrative expenses	**165,064**	**64,922**

18. Income taxes

The total current income tax payable as of December 31, 2018 is EUR nil (2017: nil) and the total expense in the income statement is EUR 314,622 (2017: EUR 309,618). The effective tax rate is -25.15% (2017: -3.18%) leading to a difference with the domestic income tax rate of 25%. This is caused by the Advanced Price Agreements (APA) which are in place, resulting in a difference between the commercial and fiscal result.

As the preliminary tax assessment was higher than the year end calculation the Company has an income tax receivable of EUR 222,389 as at December 31, 2018 (2017: EUR 77,896).

Due to the tender in April 2011 a loss was recognised. Exchange premium and issuance fee expenses are expensed over the life of the 7-year bond resulting in a deferred tax position of EUR 6,946 at the end of 2017 and nil at the end of 2018 as the bond matured in 2018.

19. Employees

During 2018, the Company had no employees (2017: no employees).

20. Related party transactions

In the normal course of business, the Company has transactions with related parties as follows:

a) Loans granted to Group companies and the related accrued interest receivable are disclosed in notes 4, 5 and 6. In 2018, the management has assessed that no impairment loss needs to be recognised during the year (2017: nil).
b) As of December 31, 2018, the balance of other receivables from Group companies is EUR 1,127,972 (2017: EUR 4,975) and is disclosed in note 7.
c) Interest income generated from the financial assets is disclosed in note 15.
d) As of December 31, 2018, the balance of loans obtained from Group companies is EUR 1,700,00 (2017: EUR 2,863,305) with accrued interest payable of EUR 280 (2017: EUR 426). This is disclosed in note 12.
e) As of December 31, 2018, the balance of payables to Group companies is EUR 3,800 (2017: EUR 136,166) and is disclosed in note 14. The other payables on the balance sheet relate to accrued expenses of EUR 8,173 (2017: EUR 260,162). The amount of 2017 relates to the issuance fee of the 2017 USD bond in November 2017. The amount for 2018 relates to Euro Medium Term Note Program costs for 2018 to be invoiced by Adecco Group AG in 2019.
f) In 2018, a guarantee fee of EUR 9,702,209 (2017: EUR 9,516,374) is charged by Adecco Group AG for the underwriting of the bonds and commercial paper. This is disclosed in note 16.

21. Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of December 31, 2018 and 2017.

Fair value non-derivative financial instruments	**31-12-2018** EUR	**31-12-2018** EUR	**31-12-2017** EUR	**31-12-2017** EUR
	Carrying value	*Fair value*	*Carrying value*	*Fair value*
Non-current assets				
Long-term loans to Group companies	1,250,539,495	1,310,632,400	1,644,894,308	1,778,027,797
Current assets				
Short-term loans to Group companies	405,542,413	420,518,552	505,090,127	520,842,300
Interest receivables from Group companies	7,191,784	7,191,784	20,454,328	20,454,328
Other receivables from Group companies	1,127,972	1,127,972	4,975	4,975
Cash	422,947	422,947	268,784	268,784
Non-current liabilities				
Long-term debt, less current maturities	1,253,618,503	1,277,896,902	1,639,601,504	1,698,665,040
Current liabilities				
Current portion of long-term debt	399,723,986	407,120,000	499,350,041	506,825,000
Short-term loans from Group companies	1,700,000	1,705,259	2,863,305	2,863,305
Interest payables to Group companies	280	280	426	426
Interest payables to third parties	3,378,132	3,378,132	20,391,984	20,391,984
Payables to Group companies	3,800	3,800	136,166	136,166
Other payables	8,173	8,173	260,162	260,162

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and/or option pricing models, making allowance for entity-specific inputs.

The Company uses the following methods to estimate the fair value of each class of non-derivative financial instruments:

- **Long and short term loans to – from Group companies**

To calculate the fair market value of loans to Group companies, the discounted cash flow method was applied. Starting from the scheduled interest and principal payments set forth in the loan contracts each individual loan is valued by discounting the remaining interest and principal payments with the relevant interest rate as of valuation date.

- **Long-term debt including the current portion**

The fair value of the Company's publicly traded long-term debt, including accrued interest, is estimated using quoted market prices on last trade during the year.

- **Other financial instruments**

The carrying amounts approximate fair value primarily due to the relatively short-term maturities of these financial instruments.

22. Audit fees

The total audit fees for 2018 are EUR 44,000 excluding VAT (2017: EUR 38,250 excluding VAT). Fees are related to the assurance assignments of the Company, no other services are rendered.

23. Remuneration of the Board of Directors

The members of the Board of Directors did not receive remuneration in 2018 (2017: nil) in their capacity as Directors of the Company.

24. Cross border listings

The Company has issued bonds that are listed on the London Stock Exchange.

25. Subsequent events

No significant events between the balance sheet date and the date of approval of the financial statements 2018 occurred that would require adjustments in the reported figures nor additional disclosure in the financial statements.

April 17, 2019
The Board of Directors

Melvin de Boer	Hans Ploos van Amstel

OTHER INFORMATION

Appropriation of result

The Articles of Association of the Company provide that the appropriation of the net result for the year is decided upon at the Annual General Meeting of Shareholders.

The Company may make distributions of profit only to the extent that its shareholders' equity exceeds the sum of the amount of the paid up and called up part of the capital and the reserves which must be maintained by law; any distribution of profits shall be made after the adoption of the Annual Accounts from which it shall appear that the same is permitted.

Auditor's report

See next page.

Independent auditor's report

To: the shareholder of Adecco International Financial Services B.V.

A. Report on the audit of the financial statements 2018

Our opinion

We have audited the financial statements 2018 of Adecco International Financial Services B.V. ("the Company"), based in Utrecht.

WE HAVE AUDITED	OUR OPINION
The financial statements comprise: 1. the balance sheet as at 31 December 2018; 2. the profit and loss account for 2018; and 3. the notes comprising a summary of the accounting policies and other explanatory information.	In our opinion, the enclosed financial statements give a true and fair view of the financial position of Adecco International Financial Services B.V. as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Adecco International Financial Services B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, audit firm supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 16.5 million. The materiality has been calculated as 1% of the total assets which is the primary consideration of the users of the financial statements of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of € 825,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

This key audit matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

VALUATION OF LOANS	OUR AUDIT APPROACH
The Company is exposed to credit risk on loans to Group companies. The corresponding financial liabilities related to the loans to Group companies are being guaranteed by Adecco Group AG. We considered the valuation of these loans as a key audit matter due to the size of the portfolio and due to the fact that non-performance on the loans may lead to impairment losses that have a negative impact on the income statement. Judgement arises in the assessment whether there is objective evidence that a loan is impaired and in the determination of the impairment loss. Based on the impairment assessment performed by the Board of Directors, the Board of Directors concluded that no objective evidence exists that a loan is impaired and as a result no impairment loss was recognized.	Our audit procedures to audit the valuation of the loans included: 1. an examination of the impairment analysis methodology applied by the Board of Directors and a validation of the mathematical accuracy and consistency of the methodology applied per group company; 2. a discussion with the Board of Directors regarding their impairment analysis and assumptions and comparing these against external observable data (e.g., data from credit rating agencies and financial data of Adecco Group AG as guarantor of the loans); 3. an analysis of the completeness of the identified impairment triggers by challenging the fair values determined by Board of Directors. Further, we have reviewed the latest financial information of Adecco Group AG and discussed these with its external auditor to assess its ability to cover the repayment of financial securities issued by the Company in case of default. We also assessed the adequacy of the disclosures in the financial statements relating to the loans to Group companies.

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- report by the Board of Directors;
- the other information on page 30.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material deficiencies;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the report by the Board of Directors and the other information on page 30 as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Adecco International Financial Services B.V. on 21 April 2017, as of the audit for financial year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5 (1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, 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 ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Board of Directors in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 18 April 2019

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
drs. M.F. Meijer RA
