FINANCIAL STATEMENTS

Adecco Financial Services (North America), LLC
Years Ended December 31, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Adecco Financial Services (North America), LLC

Financial Statements

Years Ended December 31, 2019 and 2018

Contents

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Report of Independent Auditors

The Board of Directors
Adecco Financial Services (North America), LLC

We have audited the accompanying financial statements of Adecco Financial Services (North America), LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adecco Financial Services (North America), LLC at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 17, 2020

Adecco Financial Services (North America), LLC

Balance Sheets

	December 31 2019	December 31 2018
Assets		
Current assets:		
Due from Group companies	$ 87,724,689	$ 66,157,874
Interest receivables from Group companies	2,917,365	2,169,303
Total current assets	90,642,054	68,327,177
Other assets	–	268,325
Long-term loans to Group companies	355,799,969	302,343,969
Total assets	$ 446,442,023	$ 370,939,471
Liabilities		
Current liabilities:		
Accrued expenses	$ 1,217,595	$ 155,606
Total current liabilities	1,217,595	155,606
Long-term debt	119,231,118	54,450,158
Derivative	5,831,800	–
Total liabilities	126,280,513	54,605,764
Equity		
Additional paid-in capital	302,344,969	302,344,969
Retained earnings	26,489,658	14,944,242
Accumulated other comprehensive loss	(8,673,117)	(955,504)
Total equity	320,161,510	316,333,707
Total liabilities and equity	$ 446,442,023	$ 370,939,471

See accompanying notes to financial statements.

Adecco Financial Services (North America), LLC

Statements of Operations and Comprehensive Income

	Year Ended December 31 2019	2018
Operating expenses	$ (1,407)	$ (40,700)
Interest income from Group companies	16,808,391	13,631,888
Interest expense	(4,898,306)	(805,516)
Other expenses	(363,262)	(1,363)
Financial income	11,546,823	12,825,009
Net income	11,545,416	12,784,309
Other comprehensive loss	(7,717,613)	(955,504)
Total comprehensive income	$ 3,827,803	$ 11,828,805

See accompanying notes to financial statements.

Adecco Financial Services (North America), LLC

Statements of Cash Flows

	Year Ended December 31 2019	2018
Cash flows from operating activities		
Net income	$ 11,545,416	$ 12,784,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivables from Group companies	(748,062)	(9,370)
Accrued expenses	1,061,989	155,606
Net cash provided by operating activities	11,859,343	12,930,545
Cash flows from investing activities		
Due from Group companies	(21,566,815)	(66,156,348)
Long-term loans to Group companies	(53,456,000)	–
Net cash used in investing activities	(75,022,815)	(66,156,348)
Cash flows from financing activities		
Borrowings of long-term debt, net of issuance costs	63,154,115	53,224,440
Net cash provided by financing activities	63,154,115	53,224,440
Effect of exchange rate changes on cash	9,357	1,363
Net increase (decrease) in cash	–	–
Cash at the beginning of the year	–	–
Cash at the end of the year	$ –	$ –

See accompanying notes to financial statements.

1. The Business and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Adecco Financial Services (North America), LLC (hereafter "AFS" or the "Company") was formed on September 26, 2017 as a limited liability company. The Company is a wholly owned subsidiary of Adecco, Inc., whose principal business is providing human resource services, including temporary staffing, permanent placement, outsourcing, career transition, and other services to businesses and organizations in North America. The principal activity of AFS is to raise funds for Adecco Group AG (hereafter "Group"), Parent of Adecco, Inc.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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 judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Financial Instruments

In accordance with Accounting Standards Codification (ASC) 815, *Derivatives and Hedging* (ASC 815), all derivative instruments are initially recognized at fair value as either other current assets, other assets, other accrued expenses, or other liabilities in the accompanying balance sheets, regardless of the purpose or intent for holding the derivative instruments. The derivatives are subsequently remeasured to fair value at the end of each reporting period. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments, as well as the changes in the fair value of the hedged item attributable to the hedged risk, are recognized within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow

1. The Business and Summary of Significant Accounting Policies (continued)

hedges, the effective portion of the changes in the fair value of derivative instruments is initially recorded as a component of accumulated other comprehensive income/loss, net, in equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognized in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item.

Fair Value of Assets and Liabilities

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement is determined based on the assumptions that market participants would use in pricing the asset or liability. In accordance with ASC 820, *Fair Value Measurement (Topic 820)*, the Company uses a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from independent sources (observable inputs that are classified within Levels 1 and 2 of the fair value hierarchy) and the Company's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the fair value hierarchy). The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability, which are typically based on the Company's own assumptions, as there is little, if any, related market activity.

Long-Term Loans

The long-term loans are stated at cost using the effective interest rate unless stated otherwise. The initial recognition is at fair-value. At the end of each reporting period, the Company tests whether there is any indication of loans granted and other assets being subject to impairment. If any such indications are present, the recoverable amount of these assets is determined. An asset is subject to impairment if its carrying amount exceeds its recoverable amount. An impairment loss is directly recognized as an expense within net income in the statements of operations and comprehensive income. As of December 31, 2019 and 2018, no impairment loss was recognized.

1. The Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company generates interest income from loans issued to Group companies. Interest from loans is recognized on a time proportion basis as stated in each respective loan agreement.

Income Tax

Earnings of the Company are taxed directly to the members; accordingly, the accompanying financial statements do not reflect a provision for federal income taxes. All potential accrued interest and penalties for income taxes, if any, are reported within the financial statements of the Company's parent, Adecco, Inc.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (ASU) 2017-12, *Derivatives and Hedging (Topic 815)*. The amendments in this ASU provide changes to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The amendments also simplify the application of hedge accounting in certain situations. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2018. The amended presentation and disclosure guidance is required prospectively. The Company adopted this amendment as of January 1, 2019. The adoption of this guidance did not have a material impact on the Company's financial statements.

2. Long-Term Loans to Group Companies

The Company's long-term loans to Group companies as of December 31, 2019 and 2018 consist of the following:

Group Company	Maturity Date	Annual Interest Rate	Principal
Adecco USA, Inc.	11/1/2022	4.00%	$ 185,338,947
Modis, Inc.	11/1/2022	4.74	117,005,022
ADO Staffing, Inc.	10/3/2033	5.80	53,456,000
			$ 355,799,969

2. Long-Term Loans to Group Companies (continued)

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.

3. Interest Receivables From Group Companies

The Company's interest receivables from Group companies consist of the following:

	December 31	
	2019	**2018**
Group Company		
Adecco USA, Inc.	$ 1,235,126	$ 1,235,593
Adecco, Inc.	–	9,370
Modis, Inc.	924,340	924,340
ADO Staffing, Inc.	757,899	–
	$ 2,917,365	$ 2,169,303

Interest on the long-term loans with Adecco USA, Inc. and Modis, Inc. is payable and due to the Company on November 1st each year until loan maturity.

Interest on the long-term loan with ADO Staffing, Inc. is payable and due to the Company on April 3rd and October 3rd each year until loan maturity.

4. Equity

The Company's equity is solely comprised of additional paid-in capital. Adecco, Inc. made an initial capital contribution of $1,000 and contributed the remaining additional paid-in-capital that resulted from a conversion of payables to Adecco, Inc., which was approved by Adecco, Inc.'s Board of Directors on October 13, 2017.

4. Equity (continued)

The summary of changes in equity for the years ended December 31, 2019 and 2018 is as follows:

Balance as of December 31, 2017	$ 304,504,902
Contributions	–
Net income	12,784,309
Accumulated other comprehensive loss	(955,504)
Balance as of December 31, 2018	316,333,707
Contributions	–
Net income	11,545,416
Accumulated other comprehensive loss	(7,717,613)
Balance as of December 31, 2019	$ 320,161,510

5. Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss (OCL) by component as of December 31, 2019 and 2018:

	December 31	
	2019	2018
Change in fair value of cash flow hedge	$ 6,100,125	$ (268,325)
Foreign exchange effect on debt	1,617,488	1,223,829
Net change in OCL during year	(7,717,613)	(955,504)
OCL balance at beginning of year	(955,504)	–
OCL balance at end of year	$ (8,673,117)	$ (955,504)

6. Interest Income From Companies

The Company's interest income from Group companies consists of the following:

	Year Ended December 31	
	2019	2018
Group Company		
Adecco USA, Inc.	$ 7,413,558	$ 7,413,558
Adecco, Inc.	–	672,292
Modis, Inc.	5,546,038	5,546,038
ADO Staffing, Inc.	3,848,795	–
	$ 16,808,391	$ 13,631,888

7. Related-Party Transactions

The Company's long-term loans were issued to Adecco USA, Inc., Modis, Inc., and ADO Staffing, Inc., which are wholly owned subsidiaries of Adecco, Inc. See Notes 2, 3, and 6 for additional disclosures related to the loans.

The Company participates in a cash pooling arrangement with Group companies and the entire due from Group companies balance is related to this arrangement.

Group companies may provide services to related affiliates without charging for such services.

8. Financing Arrangements

On April 10, 2018, the Company and Group executed a EUR $600 million multicurrency credit facility agreement with Credit Suisse International, and the funds will be used towards the general corporate purposes of Group. The credit facility agreement will terminate on April 10, 2023, and borrowings are subject to an interest rate of 0.275%, which is defined as Margin, plus LIBOR or, in relation to any loan in Euros, EURIBOR. The Margin will be adjusted based on debt to EBITDA ratios, as set forth in the credit facility agreement. As of December 31, 2019, there were no outstanding borrowings under the credit facility.

On October 3, 2018, the Company issued JPY $6 billion (approximately USD $55 million), medium-term 15-year notes with a coupon of 1.05% guaranteed by Group due on October 3, 2033. There is no public listing of the notes. The proceeds were primarily used for general corporate purposes. Concurrently, the Company entered into a cross-currency swap (CCS) with Group. See Note 9 for further discussion of the CCS.

8. Financing Arrangements (continued)

On April 12, 2019, the Company issued JPY $7 billion (approximately USD $63 million), medium-term 20-year notes with a coupon of 1.14% due April 12, 2039, which were guaranteed by Group within the framework of Group's Euro Medium-Term Note Programme. The proceeds were used primarily for general corporate purposes. Concurrently, the Company entered into a CCS with Merrill Lynch International. See Note 9 for further discussion of the CCS.

Payments of long-term debt are due as follows:

	2020	2021	2022	2023	2024	Thereafter	Total
Payments due by year	$ –	$ –	$ –	$ –	$ –	$119,708,044	$119,708,044

Long-term debt on the balance sheets includes $476,926 of unamortized debt issuance costs.

9. Financial Instruments

Risk and Use of Derivative Instruments

Group conducts business in various countries and funds its subsidiaries in various currencies and is therefore exposed to the effects of changes in foreign currency exchange rates. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments. The Company has also issued fixed rate long-term notes. Accordingly, the Company may manage exposure to changes in fair value of fixed rate long-term debt through the use of derivative instruments.

The main objective of holding derivative instruments is to minimize the volatility of earnings arising from these exposures in the absence of natural hedges. The responsibility for assessing exposures, as well as entering into and managing derivative instruments, is centralized in the Company's treasury department. The activities of the treasury department are covered by corporate policies and procedures approved by the Board of Directors, which limit the use of derivative instruments for trading and speculative purposes. Group management approves the hedging strategy and monitors the underlying market risks.

9. Financial Instruments (continued)

Fair Value of Derivative Financial Instruments

The following table shows the notional amount and fair value of derivative financial instruments designated as hedging instruments under ASC 815 and classified within other assets on the balance sheets as of December 31, 2019 and 2018:

	Notional Amount		Fair Value	
	2019	2018	2019	2018
Cross-currency interest rate swap	$ 119,708,044	$ 54,680,707	$ (5,831,800)	$ 268,325

Level 2 inputs were used to measure the fair value of the cross-currency interest rate swap.

A cross-currency interest rate swap, with notional amounts of JPY $6 billion (approximately USD $55 million) that contains a receipt of fixed interest rate amount in JPY and payment of fixed interest rate amount in USD, has been designated as a cash flow hedge of the 2033 notes for JPY $6 billion issued by the Company. The outstanding contract has an original contract period of fifteen years and expires in October 2033.

A cross-currency interest rate swap, with notional amounts of JPY $7 billion (approximately USD $63 million) that contains a receipt of fixed interest rate amount in JPY and payment of fixed interest rate amount in USD, has been designated as a cash flow hedge of the 2039 notes for JPY $7 billion issued by the Company. The outstanding contract has an original contract period of twenty years and expires in April 2039.

A loss of $6,100,125 and gain of $268,325 related to the cash flow hedge is included as a component of accumulated other comprehensive loss as of December 31, 2019 and 2018, respectively. No gains or losses were recorded in 2019 or 2018 due to the ineffectiveness of the cash flow hedge relationships and no gains or losses were excluded from the assessment of hedge effectiveness in the cash flow hedge relationships. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive loss, net are expected within the next 12 months.

See Note 8 for further discussion of the cash flow hedge.

10. Subsequent Events

On March 27, 2020, the Company extended the maturity of its EUR $600 million multicurrency credit facility agreement with Credit Suisse International to April 10, 2025.

The Company has performed an evaluation of subsequent events through April 17, 2020, the date the accompanying financial statements were available to be issued.

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