Adecco Group

Press Release

Continued solid revenue growth in Q1 2016

Price and cost discipline maintained

First quarter 2016 highlights

- Revenues up 4% organically[1]
- Gross profit up 2% organically
- Gross margin down 10 bps to 19.0%, impacted by timing of bank holidays
- SG&A up 4% organically
- EBITA[2] of EUR 228 million, down 5% organically
- EBITA margin of 4.3%, down 30 bps

- Closing of Penna Consulting Plc acquisition expected to be effective as of today May 10, 2016

Key figures for Q1 2016

in EUR millions	**Q1 2016**	Reported growth	Organic growth
Revenues	5,332	5%	4%
Gross profit	1,011	4%	2%
EBITA	228	-4%	-5%
Operating income	219	-4%	
Net income attributable to Adecco shareholders	144	-10%	

Zurich, Switzerland, May 10, 2016: the Adecco Group, the world's leading provider of Human Resources solutions, today announced results for Q1 2016. Revenues were EUR 5.3 billion, up 4% organically compared to the prior year. Gross profit was up 2% and SG&A was up 4%, both organically. The EBITA margin was 4.3%, down 30 bps. Net income attributable to Adecco shareholders was down 10% to EUR 144 million and basic EPS was down 8% to EUR 0.85.

Alain Dehaze, CEO of the Adecco Group said: *"In the first quarter, our colleagues and associates at the Adecco Group delivered a good performance. Revenues continued the trend of modest growth seen during 2015. Our relative revenue growth compared to our main peers improved and we are back in line with the market growth in France, our largest market. We maintained our price discipline and costs remained under control, with 4% organic revenue growth being supported by a 3% increase in FTE employees.*

In March and April combined, revenue growth was 3% organically and adjusted for trading days. We remain focused on driving profitable growth across our business, supported by the implementation of our strategic priorities. We are delighted that today we will welcome new colleagues to the Adecco Group following the completion of the acquisition of Penna, which further reinforces our leading global position in career transition, talent development and recruitment solutions."

[1] Organic growth is a non-US GAAP measure and excludes the impact of currency, acquisitions and divestitures.
[2] EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.

Adecco Group

Press Release

Q1 2016 FINANCIAL PERFORMANCE

Revenues
Q1 2016 revenues of EUR 5,332 million were up 5% year-on-year or up 4% organically. By business line, revenues grew in constant currency by 5% in General Staffing and by 2% in Professional Staffing. Permanent placement revenues were EUR 114 million, up 12% organically. Revenues from career transition totalled EUR 95 million, up 4% organically compared to the prior year.

Gross Profit
Gross profit amounted to EUR 1,011 million, up 4% or up 2% organically. The gross margin was 19.0%, down 10 bps compared to Q1 2015. Acquisitions had a 20 bps positive impact, currency effects added 10 bps, and the organic decrease was 40 bps. On an organic basis, temporary staffing had a negative impact of 50 bps. Approximately half of this impact was due to the timing of bank holidays, as Easter was in the first quarter 2016 while last year it fell in the second quarter. This in particular impacted temporary staffing margins in Germany, where temporary employees are on the Group's payroll. Organically, permanent placement added 10 bps to the gross margin compared to Q1 2015.

Selling, General and Administrative Expenses (SG&A)
SG&A was EUR 783 million, up 4% organically compared to Q1 2015. FTE employees increased by 3% year-on-year and IT costs also increased, reflecting the transition phase to the new IT approach announced last quarter. Compared to Q1 2015, the branch network was up 1%. Sequentially, SG&A was up 1% in constant currency and excluding Q4 2015 one-offs.

EBITA
EBITA was EUR 228 million, down 5% organically compared to Q1 2015. The EBITA margin was 4.3%, down 30 bps, due to the timing of bank holidays and higher IT costs in Q1 2016.

Amortisation of Intangible Assets
Amortisation of intangible assets was EUR 9 million compared to EUR 8 million in Q1 2015.

Operating Income
Operating income was EUR 219 million compared to EUR 228 million in the same period last year.

Interest Expense and Other Income/(Expenses), net
Interest expense was EUR 15 million compared to EUR 14 million in Q1 2015. Other income/(expenses), net was zero, compared to an income of EUR 1 million in Q1 2015.

Provision for Income Taxes
The effective tax rate was 29%, compared to 25% in the same quarter last year. In Q1 2015, discrete events had a positive impact of approximately 2% on the effective tax rate.

Net Income Attributable to Adecco Shareholders
Net income attributable to Adecco shareholders was EUR 144 million compared to EUR 160 million in Q1 2015.

Cash Flow, Net Debt[3] and DSO
Cash flow used in operating activities was EUR 42 million in Q1 2016. This compares to cash flow generated in operating activities of EUR 54 million in the same period last year, with the difference mainly due to higher payments of French social charges, primarily reflecting the stronger growth development in France and changes in the timing of payments. In Q1 2016, capex was EUR 14 million and EUR 135 million was placed in escrow for the acquisition of Penna Consulting Plc. Net debt at March 31, 2016 was EUR 1,209 million compared to EUR 1,039 million at December 31, 2015. DSO was 52 days in Q1 2016, the same as in Q1 2015.

[3] Net debt is a non-US GAAP measure and comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

Adecco Group

Press Release

Q1 2016 SEGMENT PERFORMANCE

Note: all revenue growth rates in this section are year-on-year on an organic basis, unless otherwise stated

		Revenues		EBITA		
% of revenues		EUR millions	Organic change yoy	EUR millions	Margin	Margin change yoy
21%	France	1,105	7%	63	5.7%	-30 bps
22%	North America	1,149	1%	66	5.7%	20 bps
10%	UK & Ireland	545	0%	11	2.0%	-20 bps
9%	Germany, Austria, Switzerland	509	-2%	19	3.7%	-270 bps
8%	Benelux and Nordics	436	5%	10	2.2%	0 bps
6%	Italy	319	9%	23	7.0%	140 bps
6%	Japan	300	2%	20	6.7%	40 bps
4%	Iberia	220	9%	7	3.4%	-90 bps
12%	Rest of World	643	13%	16	2.5%	-60 bps
2%	Lee Hecht Harrison	106	1%	33	31.5%	0 bps
	Corporate			(40)		
100%	**Adecco Group**	**5,332**	**4%**	**228**	**4.3%**	**-30 bps**

In **France,** revenues were EUR 1,105 million, up 7% and back in-line with the market growth in France. Revenues increased by 7% in General Staffing, which accounts for over 90% of revenues, and declined by 2% in Professional Staffing. Revenue growth continued in construction, remained very strong in automotive, and accelerated in retail and in logistics. Permanent placement revenues in France were up 31%. EBITA was EUR 63 million and the EBITA margin was 5.7%, down 30 bps compared to the prior year. Q1 2016 and Q1 2015 both included a favourable item related to prior years' social charges, which in both quarters added approximately 60 bps to the EBITA margin in France.

In **North America**, revenues were EUR 1,149 million, up 1%. In North America, General Staffing accounts for approximately half of revenues, and declined by 2%. In Industrial, revenue growth was flat while in Office revenues declined by 6%. In Professional Staffing, revenues were up 4%, with growth of 29% in Medical & Science, 15% in Finance & Legal and 2% in IT, while Engineering & Technical declined by 10%. Permanent placement revenues in North America were up 9%. EBITA was EUR 66 million with a margin of 5.7%, up 20 bps compared to Q1 2015.

In the **UK & Ireland,** revenues were flat at EUR 545 million. Approximately two-thirds of revenues come from Professional Staffing, which declined by 6%. Revenues decreased by 6% in Finance & Legal and by 5% in IT. In General Staffing, revenues increased by 12%. Permanent placement revenues in the UK & Ireland were up 1%. EBITA was EUR 11 million and the EBITA margin was 2.0% compared to 2.2% in Q1 2015.

In **Germany, Austria, Switzerland** revenues were EUR 509 million, down 2%. In Germany & Austria, revenues were flat, as a decline in automotive was offset by growth in sectors such as manufacturing and chemicals. In Switzerland, revenues declined by 8%, negatively impacted by reductions in the export-related and medical sectors. EBITA in Germany, Austria, Switzerland was EUR 19 million, with a margin of 3.7%. This is a decrease of 270 bps compared to Q1 2015, largely driven by the timing of bank holidays.

In **Benelux and Nordics,** revenues increased by 5% to EUR 436 million. Revenues in Benelux were up 10% with good growth in all three countries in the region. In the Nordics, revenues were down 1%, with continued growth in Sweden and a sequential improvement in Norway. The EBITA margin in Benelux and Nordics was flat year-on-year at 2.2%. Profitability improved in the Nordics compared to Q1 2015, driven by restructuring measures taken in Norway during 2015. This offset a decline in EBITA margin in Benelux, which was negatively impacted by pricing pressure in the Netherlands and by the timing of bank holidays.

In **Italy,** revenues were EUR 319 million, up 9% against a strong comparison base. The EBITA margin was 7.0%, up 140 bps year-on-year, driven by continued good growth in permanent placement and helped by the effect of regulation changes.

In **Japan,** revenues increased by 2% to EUR 300 million. EBITA was EUR 20 million and the EBITA margin was 6.7%, up 40 bps compared to the prior year mainly due to good cost development.

In **Iberia,** revenues were EUR 220 million, up 9% against a strong comparison base. The EBITA margin was down 90 bps year-on-year to 3.4%, negatively impacted by lower activity in the outsourcing business.

In **Rest of World,** revenues grew by 13% to EUR 643 million. Revenue growth was 4% in Australia & New Zealand, 13% in Latin America, 19% in Eastern Europe & MENA, 8% in Asia and 23% in India. The EBITA margin in Rest of World was 2.5%, down 60 bps partly due to a bad debt charge in Australia in Q1 2016.

Revenues in **Lee Hecht Harrison**, the Adecco Group's Career Transition and Talent Development business, increased to EUR 106 million, up 1% organically, or up 11% in constant currency following the acquisition of Knightsbridge in Q2 2015. Good revenue growth in the USA was largely offset by a decline in France, respectively Lee Hecht Harrison's largest and second-largest businesses by revenues. The EBITA margin for Lee Hecht Harrison was 31.5%, the same as in the prior year.

MANAGEMENT OUTLOOK

In Q1 2016, organic revenue growth was 4%, a continuation of the modest growth seen during 2015. As expected, growth continued to improve slightly in France, remained stable in North America, and moderated in Italy, Iberia and Benelux. In March and April combined, Adecco Group revenue growth was 3% organically and adjusted for trading days. The Group maintains its price discipline and tight cost control. In Q2 2016, SG&A excluding one-offs is expected to be similar to Q1 2016 on an organic basis.

The Adecco Group remains committed to leveraging the EVA approach to balance revenue growth, profitability and cash generation. The Group's financial targets, to be achieved on average across an entire economic cycle, including periods of economic expansion and recession, are: growing revenues organically at least in line with our main peers, at Group level and in each major market; improving our EBITA margin to 4.5–5.0% on average through-the-cycle; and delivering an operating cash flow conversion of more than 90% on average through-the-cycle. The Adecco Group is focused on achieving these targets and driving shareholder value creation in 2016 and in the long-term.

CLOSING OF PENNA CONSULTING PLC TRANSACTION EFFECTIVE AS OF MAY 10, 2016

On May 9, 2016 all closing conditions of the recommended cash offer for all outstanding shares of Penna Consulting Plc have been fulfilled or waived. The recommended cash offer is effected by way of a scheme of arrangement under Part 26 of the UK Companies Act 2006, which has been sanctioned by the court. The closing of the transaction is expected to occur today, May 10, 2016 following the scheme's registration with the UK registrar of companies.

Press Release

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Q1 2016 Results Conference Calls

There will be a media conference call at 9.00 am CEST and an analyst and investor conference call at 11.00 am CEST. The conference calls can be followed either via webcast (media conference, analyst conference) or via telephone call:

UK / Global	+ 44 (0)203 059 58 62
United States	+ 1 (1)631 570 56 13
Cont. Europe	+ 41 (0)58 310 50 00

The Q1 2016 results presentation will be available through the webcasts and will be published on the Investor Relations section on our website.

Financial Agenda

• Q2 2016 results	August 10, 2016
• Q3 2016 results	November 8, 2016

Forward-looking statements

Information in this release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Adecco Group AG as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things: global GDP trends and the demand for temporary work; changes in regulation of temporary work; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

About the Adecco Group

The Adecco Group, based in Zurich, Switzerland, is the world's leading provider of HR solutions. With more than 32,000 FTE employees and around 5,100 branches in over 60 countries and territories around the world, the Adecco Group offers a wide variety of services, connecting around 700,000 associates with our clients every day. The services offered fall into the broad categories of temporary staffing, permanent placement, career transition and talent development, as well as outsourcing and consulting. The Adecco Group is a Fortune Global 500 company.

Adecco Group AG is registered in Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN).

Adecco Group

Press Release

Consolidated statements of operations

EUR millions except share and per share information	Q1		Variance %	
	2016	**2015**	EUR	Constant Currency
Revenues	**5,332**	**5,083**	**5%**	**5%**
Direct costs of services	(4,321)	(4,111)		
Gross profit	**1,011**	**972**	**4%**	**3%**
Selling, general, and administrative expenses	(783)	(736)	6%	5%
EBITA[1)]	**228**	**236**	**-4%**	**-5%**
Amortisation of intangible assets	(9)	(8)		
Operating income	**219**	**228**	**-4%**	**-5%**
Interest expense	(15)	(14)		
Other income/(expenses), net		1		
Income before income taxes	**204**	**215**	**-5%**	
Provision for income taxes	(59)	(54)		
Net income	**145**	**161**	**-10%**	
Net income attributable to noncontrolling interests	(1)	(1)		
Net income attributable to Adecco shareholders	**144**	**160**	**-10%**	
Basic earnings per share[2)]	0.85	0.92	-8%	
Diluted earnings per share[3)]	0.85	0.92	-8%	
Gross margin	*19.0.%*	*19.1%*		
SG&A as a percentage of revenues	*14.7%*	*14.5%*		
EBITA margin	*4.3%*	*4.6%*		
Operating income margin	*4.1%*	*4.5%*		
Net income margin attributable to Adecco shareholders	*2.7%*	*3.2%*		

1) EBITA is non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.

2) Basic weighted-average shares were 170,162,933 in Q1 2016 (173,220,036 in Q1 2015).

3) Diluted weighted-average shares were 170,353,749 in Q1 2016 (173,473,132 in Q1 2015).

Press Release

Revenues by segment and by business line

Revenues by segment	Q1		Variance %	
EUR millions	**2016**	**2015**	EUR	Constant Currency
France	1,105	1,038	7%	7%
North America	1,149	1,077	7%	1%
UK & Ireland	545	555	-2%	0%
Germany, Austria, Switzerland	509	518	-2%	-2%
Benelux and Nordics	436	418	4%	5%
Italy	319	293	9%	9%
Japan	300	274	9%	2%
Iberia	220	202	9%	9%
Rest of World	643	614	5%	13%
Lee Hecht Harrison[1)]	106	94	13%	11%
Adecco Group[1)]	**5,332**	**5,083**	**5%**	**5%**

Revenues by business line[2)]	Q1		Variance %	
EUR millions	**2016**	**2015**	EUR	Constant Currency
Office	1,305	1,249	4%	5%
Industrial	2,597	2,470	5%	6%
General Staffing	**3,902**	**3,719**	**5%**	**5%**
Information Technology	645	631	2%	1%
Engineering & Technical	269	283	-5%	-8%
Finance & Legal[3)]	240	213	13%	10%
Medical & Science	116	97	20%	16%
Professional Staffing	**1,270**	**1,224**	**4%**	**2%**
CTTD[3)]	106	94	13%	11%
BPO	54	46	19%	14%
Solutions[3)]	**160**	**140**	**15%**	**12%**
Adecco Group[3)]	**5,332**	**5,083**	**5%**	**5%**

1) In Q1 2016 revenues changed organically in Lee Hecht Harrison by 1% and in the Adecco Group by 4%.

2) Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. CTTD comprises Career Transition & Talent Development services. BPO comprises Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management System (VMS).

3) In Q1 2016 revenues changed organically in Finance & Legal by 9%, in CTTD by 1%, in Solutions by 5% and in the Adecco Group by 4%.

Adecco Group

Press Release

EBITA[1)] and EBITA margin by segment

EBITA EUR millions	Q1 2016	Q1 2015	Variance % EUR	Variance % Constant Currency
France	63	63	1%	1%
North America	66	59	10%	5%
UK & Ireland	11	12	-7%	-5%
Germany, Austria, Switzerland	19	33	-43%	-43%
Benelux and Nordics	10	9	7%	5%
Italy	23	16	38%	38%
Japan	20	17	17%	9%
Iberia	7	9	-15%	-15%
Rest of World	16	19	-15%	-6%
Lee Hecht Harrison	33	30	13%	10%
Corporate	(40)	(31)		
Adecco Group	**228**	**236**	**-4%**	**-5%**

EBITA margin	Q1 2016	Q1 2015	Variance bps
France	5.7%	6.0%	(30)
North America	5.7%	5.5%	20
UK & Ireland	2.0%	2.2%	(20)
Germany, Austria, Switzerland	3.7%	6.4%	(270)
Benelux and Nordics	2.2%	2.2%	0
Italy	7.0%	5.6%	140
Japan	6.7%	6.3%	40
Iberia	3.4%	4.3%	(90)
Rest of World	2.5%	3.1%	(60)
Lee Hecht Harrison	31.5%	31.5%	0
Adecco Group	**4.3%**	**4.6%**	**(30)**

1) EBITA is non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.

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Press Release

Consolidated balance sheets

EUR millions	March 31 2016	December 31 2015
Assets		
Current assets:		
– Cash and cash equivalents	753	1,198
– Short-term investments	9	10
– Trade accounts receivable, net	3,877	3,972
– Other current assets	300	307
Total current assets	**4,939**	**5,487**
Property, equipment, and leasehold improvements, net	180	192
Other assets	694	512
Intangible assets, net	502	517
Goodwill	2,943	3,018
Total assets	**9,258**	**9,726**
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
– Accounts payable and accrued expenses	3,574	3,779
– Short-term debt and current maturities of long-term debt	141	415
Total current liabilities	**3,715**	**4,194**
Long-term debt, less current maturities	1,830	1,832
Other liabilities	347	354
Total liabilities	**5,892**	**6,380**
Shareholders' equity		
Adecco shareholders' equity:		
– Common shares	108	108
– Additional paid-in capital	711	721
– Treasury shares, at cost	(259)	(258)
– Retained earnings	2,926	2,782
– Accumulated other comprehensive income/(loss), net	(127)	(13)
Total Adecco shareholders' equity	**3,359**	**3,340**
Noncontrolling interests	7	6
Total shareholders' equity	**3,366**	**3,346**
Total liabilities and shareholders' equity	**9,258**	**9,726**

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Consolidated statements of cash flows

EUR millions	Q1 2016	Q1 2015
Cash flows from operating activities		
Net income	145	161
Adjustments to reconcile net income to cash flows from operating activities:		
– Depreciation and amortisation	30	32
– Other charges		7
Changes in operating assets and liabilities, net of acquisitions:		
– Trade accounts receivable	10	(49)
– Accounts payable and accrued expenses	(147)	(22)
– Other assets and liabilities	(80)	(75)
Cash flows from/(used in) operating activities	**(42)**	**54**
Cash flows from investing activities		
Capital expenditures	(14)	(20)
Penna acquisition - cash in escrow	(135)	
Cash settlements on derivative instruments	51	(33)
Other acquisition and investing activities, net	(1)	
Cash used in investing activities	**(99)**	**(53)**
Cash flows from financing activities		
Net increase in short-term debt	48	204
Repayment of long-term debt	(316)	
Purchase of treasury shares	(20)	(26)
Other financing activities, net	(1)	
Cash flows from/(used in) financing activities	**(289)**	**178**
Effect of exchange rate changes on cash	(15)	47
Net increase/(decrease) in cash and cash equivalents	**(445)**	**226**
Cash and cash equivalents:		
– Beginning of period	1,198	695
– End of period	753	921