Adecco Group

Press Release

# Adecco maintains strong double-digit revenue growth in Q1

Solid EBITA margin progression as profitable growth remains key focus

**Q1 HIGHLIGHTS (Q1 2011 versus Q1 2010)**

- Revenues of EUR 4.9 billion, up 24% (+18% organically[1])
- Gross margin of 17.4%, down 60 bps (-80 bps organically)
- SG&A up 14%, (+6% organically)
- EBITA[2] before integration costs at EUR 175 million (+43% organically)
- EBITA margin at 3.5%, up 70 bps (EBITA margin excluding integration costs at 3.6%)
- DSO unchanged versus prior year at 54 days

**Key figures Q1 2011**

| *in EUR millions* | reported | reported growth | organic growth |
|---|---|---|---|
| Revenues | 4,915 | +24% | +18% |
| Gross profit | 854 | +20% | +13% |
| EBITA before integration costs | 175 | +48% | +43% |
| EBITA | 172 | +53% | +47% |
| Operating income | 158 | +57% | |
| Net income attributable to Adecco shareholders | 100 | +77% | |

**Zurich, Switzerland, May 10, 2011: Adecco Group, the worldwide leader in Human Resource services, today announced results for the first quarter of 2011. Revenues in Q1 2011 were up 24% or 18% organically, to EUR 4.9 billion. The gross margin was 17.4%, down 60 bps versus the prior year and down 80 bps organically. SG&A increased by 6% on an organic basis. The Q1 2011 EBITA margin before integration costs was 3.6%. DSO were 54 days in Q1 2011 unchanged compared to the prior year.**

Patrick De Maeseneire, CEO of the Adecco Group said: "*We achieved yet again strong double-digit revenue growth in Q1. After 17% organic top-line growth in Q3 and Q4 of last year, revenues are up 18% organically this quarter, and this despite an increasingly higher base. While our growth continues to be mainly driven by the Industrial business, the Office business now grows at double-digit rates as well. Growth in Professional Staffing is encouraging, but the Industrial business clearly still drives the strong top-line development. Our main markets, France and North America, maintained very robust growth rates in Q1. Our businesses in Germany, Italy and the Netherlands had outstanding growth, clearly above the market. Japan and the UK & Ireland returned to positive organic growth this quarter. We continue to focus on strict pricing and cost control and with the progress achieved to date, we are well on track to reach our mid-term EBITA margin target of over 5.5%.*"

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

## Q1 2011 FINANCIAL PERFORMANCE

**Revenues**
Group revenues in Q1 2011 were EUR 4.9 billion, an increase of 24% compared to Q1 2010. Organically, revenues were up 18%. Permanent placement revenues amounted to EUR 86 million, an increase of 35% in constant currency or +26% organically, while outplacement revenues totalled EUR 50 million, declining by 22% in constant currency.

**Gross Profit**
In Q1 2011, gross profit amounted to EUR 854 million and the gross margin was 17.4%, down 60 bps compared to the prior year's first quarter and down 80 bps organically. Temporary staffing had a negative impact on the gross margin of 40 bps in Q1 2011, whereof 20 bps related to the French payroll tax subsidy cut. Whereas permanent placements had a positive impact of 10 bps in Q1 2011, the outplacement business negatively impacted the gross margin by 40 bps, and other activities had a negative impact of 10 bps.

**Selling, General and Administrative Expenses (SG&A)**
SG&A in Q1 2011 increased by 14% compared to Q1 2010 to EUR 682 million. Integration costs totalled EUR 3 million in Q1 2011 (Q1 2010: EUR 5 million). Organically SG&A was up 6%, compared to the same period last year, and increased 1% sequentially in constant currency and before integration costs. Organically, FTE employees increased by 4% (+1,200) compared to the first quarter of 2010. Sequentially, FTE employees were flat. The branch network, on an organic basis, increased by 1% (+40 branches) compared with the first quarter of 2010. At the end of the first quarter of 2011, the Adecco Group had over 32,000 FTE employees and operated a network of close to 5,500 branches.

**EBITA**
In the period under review, EBITA was EUR 172 million compared with EUR 113 million reported in the first quarter of 2010. The Q1 2011 EBITA margin was 3.5% compared to 2.8% in Q1 2010. EBITA before integration costs was EUR 175 million, up 43% organically and the margin was 3.6%.

**Amortisation of Intangible Assets**
Amortisation in Q1 2011 was EUR 14 million compared to EUR 13 million in Q1 2010.

**Operating Income**
In Q1 2011, operating income was EUR 158 million. This compares to EUR 100 million in the first quarter of 2010.

**Interest Expense and Other Income / (Expenses), net**
The interest expense amounted to EUR 15 million in the period under review, the same as in Q1 2010. Other income / (expenses), net was an expense of EUR 1 million in Q1 2011 also equal to the first quarter of 2010. Interest expense is expected to be around EUR 70 million for the full year 2011.

**Provision for Income Taxes**
The effective tax rate in the period under review was 29% compared to 32% in Q1 2010.

**Net Income attributable to Adecco shareholders and EPS**
In the period under review, net income attributable to Adecco shareholders was EUR 100 million. This compares to EUR 57 million in Q1 2010. Basic EPS in Q1 2011 was EUR 0.52 (Q1 2010: EUR 0.30).

**Cash flow, Net Debt[3] and DSO**
The operating cash flow generated in the first quarter of 2011 was EUR 22 million compared to EUR 66 million in the same period last year. The Company invested EUR 24 million in capital expenditure and purchased treasury shares for EUR 36 million. Net debt at the end of March 2011 was EUR 806 million compared to EUR 751 million at year end 2010. DSO remained unchanged at 54 days in Q1 2011 compared to Q1 2010.

**Currency Impact**
In Q1 2011, currency fluctuations had a positive impact of approximately 4% on revenues.

[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.

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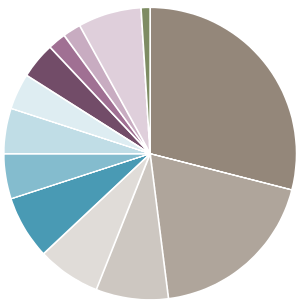
### SEGMENT PERFORMANCE

### Q1 2011

**Revenues** in percent



| | | Revenues | | EBITA | |
|---|---|---|---|---|---|
| | | EUR m | organic yoy growth | EUR m | margin |
| 29% | France | **1,408** | 23% | **37** | 2.6% |
| 19% | North America | **921** | 17% | **34** | 3.7% |
| 8% | UK & Ireland | **411** | 3% | **8** | 1.8% |
| 7% | Japan | **352** | 1% | **19** | 5.5% |
| 7% | Germany & Austria | **356** | 38% | **29** | 8.1% |
| 5% | Benelux | **230** | 17% | **11** | 4.7% |
| 5% | Italy | **237** | 38% | **13** | 5.3% |
| 4% | Nordics | **200** | 23% | **3** | 1.2% |
| 4% | Iberia | **181** | 11% | **5** | 2.8% |
| 2% | Australia & New Zealand | **120** | 15% | **3** | 2.7% |
| 2% | Switzerland | **104** | 26% | **9** | 9.0% |
| 7% | Emerging Markets | **338** | 19% | **9** | 2.7% |
| 1% | LHH | **57** | -23% | **11** | 19.8% |
| | Corporate | | | **(19)** | |
| | **Adecco Group** | **4,915** | 18% | **172** | 3.5% |

In **France**, revenues increased by 23% to EUR 1.4 billion in Q1 2011. Growth in the industrial staffing segment remained strong. Permanent placement revenues were up 39% in Q1 2011. EBITA was EUR 37 million in the quarter under review compared to EUR 27 million in Q1 2010, an increase of 37% year-on-year. The EBITA margin was 2.6% in Q1 2011, up 20 bps compared to the prior year's first quarter.

In **North America**, Adecco's revenues increased by 28% in constant currency to EUR 921 million in Q1 2011. Organically, revenues were up 17%. General staffing revenues grew by 23% in constant currency, while professional staffing continued to generate double-digit organic revenue growth. Permanent placement revenues increased 14% organically. EBITA was up 64% in constant currency and up 46% organically. Integration costs related to MPS amounted to EUR 2 million in Q1 2011 (Q1 2010: EUR 3 million). The EBITA margin in Q1 2011 was 3.7% with acquisitions adding 10 bps.

In the **UK & Ireland,** revenues in Q1 2011 increased 10% in constant currency to EUR 411 million. Organically revenues increased by 3%. Permanent placement revenues continued to grow strongly at 40% on an organic basis. EBITA was EUR 8 million in the quarter under review and the EBITA margin was 1.8%. Integration costs related to MPS amounted to EUR 1 million in Q1 2011 (Q1 2010: EUR 2 million related to Spring and MPS).

In **Japan,** first quarter revenues were back to growth of 1% in constant currency to EUR 352 million. The EBITA margin was 5.5% in the quarter under review. Outsourcing contracts won last year, positively contributed in the quarter under review. Demand in Japan for temporary staffing overall remained slow. The financial impact on Adecco's business in Japan due to the earthquake and the tsunami was minor in Q1 2011 and also going forward the impact is expected to be very limited.

In **Germany & Austria,** Q1 2011 revenues continued to develop very strongly increasing by 38% to EUR 356 million. Growth remained strongest in the industrial staffing business. The office segment and the professional staffing business also further accelerated and continued to show double-digit growth. Germany & Austria generated EBITA of EUR 29 million in Q1 2011 compared to EUR 13 million in Q1 2010. The EBITA margin improved significantly year-on-year to 8.1%, up 300 bps compared with the EBITA margin of 5.1% in Q1 2010.

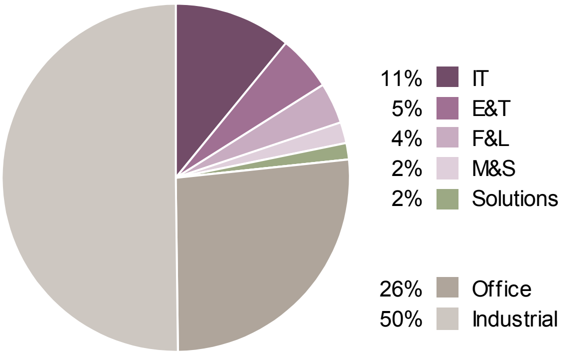
In Q1 2011, revenues in **Benelux** increased by 18% (+17% organically), and in **Italy** revenue growth remained very strong with 38% in the quarter under review. Revenues in the **Nordics** increased 23% in constant currency, while in **Iberia** revenues increased by 11%.

Revenues of **Lee Hecht Harrison (LHH)**, Adecco's outplacement and career development business, amounted to EUR 57 million, a decline of 23% in constant currency, in the quarter under review. EBITA totalled EUR 11 million and the EBITA margin was 19.8%. Since January 1, 2011, this business is reported as a separate segment.

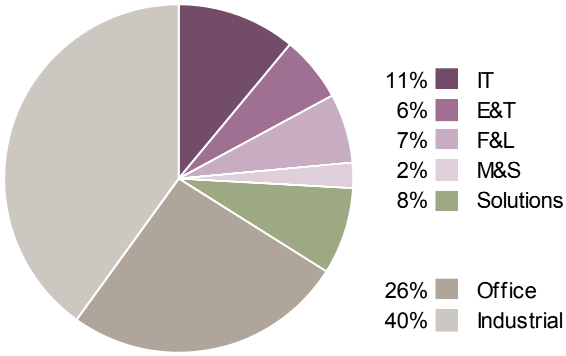
**Emerging Markets** continued to perform strongly in Q1 2011 with revenues up 19% in constant currency, mainly driven by Eastern Europe and India. EBITA was up 22% in constant currency and the EBITA margin was 2.7%.

**BUSINESS LINE PERFORMANCE**

**Q1 2011 Revenue split**




**Q1 2011 Gross profit split**




In Q1 2011, Adecco's revenues in the **General Staffing** business (Office & Industrial) increased by 21% in constant currency to EUR 3.8 billion. The **Industrial** business continued to perform strongly with revenues up 27% in constant currency. Growth remained robust in North America, despite a tougher base, with revenues up 22% year-on-year in constant currency. In France, year-on-year revenue growth even accelerated to 25% in Q1 2011. The same holds true for Germany & Austria, where revenue growth accelerated to 48% in Q1 2011. Italy grew 46% in Q1 2011. In the **Office** business, revenues increased 11% in constant currency. Revenues in Japan returned to positive territory and grew 2% in constant currency in Q1 2011. In North America revenues were up 23% in constant currency. Growth in the Nordics continued to be strong with revenues up 23% in constant currency in Q1 2011.

The **Professional Staffing**[4] revenues in the first quarter of 2011 increased 21% in constant currency and by 10% on an organic basis. Organic revenue growth was particularly strong in Germany & Austria and France, whereas North American revenues continued to grow at a double-digit organic rate in Q1 2011.

In **Information Technology (IT)**, Adecco's revenues increased 18% in constant currency (+9% organically). In North America revenues were up 23% in constant currency (+2% organically). Revenues in the UK & Ireland increased by 18% in constant currency (+12% organically).

Adecco's **Engineering & Technical (E&T)** business was up 22% in constant currency (+14% organically). Revenue growth continued to be strong in North America with revenues up 36% in constant currency (+23% organically), while revenues in Germany & Austria increased by 19% in the first quarter of 2011.

In **Finance & Legal (F&L)**, revenues increased by 26% in constant currency (+5% organically). Revenues in North America increased by 33% in constant currency and were up 8% organically.

In Q1 2011, revenues in **Medical & Science (M&S)** increased by 25% in constant currency (+14% organically).

In the quarter under review, revenues in **Solutions**[5] declined by 11% in constant currency (-14% organically), mainly driven by the counter-cyclical outplacement business, which declined by 22% in constant currency.

[4] Professional Staffing refers to Adecco's Information Technology, Engineering & Technical, Finance & Legal and Medical & Science businesses.
[5] Solutions include revenues from Human Capital Solutions, Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management Systems (VMS).

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## MANAGEMENT OUTLOOK

Revenue growth remained steady throughout the first quarter of 2011, with March up 17% adjusted for business days, despite an increasingly higher base. Growth in April was a touch lower, of course due to the comparison with a much higher base. Our close dialogue with clients worldwide strengthens our confidence in continued good demand in the coming months, as flexibility remains at the forefront of our clients' priorities.

Especially in today's environment, with moderate GDP growth in most economies, the ability to react to sudden changes in demand, through flexible labour and lower inventory levels, is seen as an advantage by many of our clients. We believe that we will continue to witness a jobless recovery through most of 2011 and consequently foresee unemployment rates remaining at high levels. Management remains confident that this environment offers attractive growth opportunities. We will continue to exploit these opportunities while keeping a tight grip on costs and working hard to improve pricing as demand remains firm.

With the Spring Group integration successfully completed, and MPS running ahead of schedule both in terms of the integration progress and also of the achieved synergies, we are confident that we will reap the benefits of these acquired businesses. Furthermore, with the growth and profitability levels achieved to date, we are well on track to reach the mid-term EBITA margin target of over 5.5%.

### Financial Agenda 2011/2012

| | |
|---|---|
| • Q2 2011 results | August 10, 2011 |
| • Q3 2011 results | November 8, 2011 |
| • Q4/FY 2011 results | March 1, 2012 |

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## Press Release

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### Q1 2011 Results Conference Calls

*There will be a media conference call at 9 am CET as well as an analyst conference call at 11 am CET, details of which can be found on our website in the Investor Relations section at http://webcast.adecco.com*

| | |
|---|---|
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| USA | + 1 866 291 41 66 |
| Continental Europe | + 41 (0)91 610 56 00 |

**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 S.A. 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 over 32,000 FTE employees and close to 5,500 branches, in over 60 countries and territories around the world, Adecco Group offers a wide variety of services, connecting over 700,000 associates with well over 100,000 clients every day. The services offered fall into the broad categories of temporary staffing, permanent placement, outsourcing, consulting and outplacement. The Adecco Group is a Fortune Global 500 company.

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

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## Press Release (Annexes)

# Consolidated statements of operations
*(unaudited)*

| EUR millions<br>except share and per share amounts | Q1 2011 | Q1 2010 | Variance % EUR | Variance % Constant Currency |
|---|---|---|---|---|
| Revenues | 4,915 | 3,962 | 24% | 20% |
| Direct costs of services | (4,061) | (3,250) | | |
| **Gross profit** | **854** | **712** | 20% | 17% |
| *Gross margin* | *17.4%* | *18.0%* | | |
| Selling, general and administrative expenses | (682) | (599) | 14% | 10% |
| *As a percentage of revenues* | *13.9%* | *15.1%* | | |
| Amortisation of intangible assets | (14) | (13) | | |
| **Operating income** | **158** | **100** | 57% | 56% |
| *Operating income margin* | *3.2%* | *2.5%* | | |
| Interest expense | (15) | (15) | | |
| Other income / (expenses), net | (1) | (1) | | |
| **Income before income taxes** | **142** | **84** | 69% | |
| Provision for income taxes | (41) | (27) | | |
| **Net income** | **101** | **57** | 77% | |
| Net income attributable to noncontrolling interests | (1) | | | |
| **Net income attributable to Adecco shareholders** | **100** | **57** | 77% | |
| *Net income margin attributable to Adecco shareholders* | *2.0%* | *1.4%* | | |
| **Basic earnings per share** | **0.52** | **0.30** | | |
| Basic weighted-average shares | 192,631,212 | 191,902,135 | | |
| **Diluted earnings per share** | **0.52** | **0.29** | | |
| Diluted weighted-average shares | 192,771,705 | 197,717,585 | | |

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Press Release (Annexes)

# Revenues and operating income by segment

***(unaudited)***

| EUR millions | Q1 2011 | Q1 2010 | Variance % EUR | Variance % Constant Currency |
|---|---|---|---|---|
| **Revenues**[1] | | | | |
| France | 1,408 | 1,144 | 23% | 23% |
| North America[2] | 921 | 703 | 31% | 28% |
| UK & Ireland[2] | 411 | 361 | 14% | 10% |
| Japan | 352 | 307 | 15% | 1% |
| Germany & Austria | 356 | 258 | 38% | 38% |
| Benelux[2] | 230 | 195 | 18% | 18% |
| Italy | 237 | 171 | 38% | 38% |
| Nordics | 200 | 153 | 31% | 23% |
| Iberia | 181 | 162 | 11% | 11% |
| Australia & New Zealand[2] | 120 | 91 | 33% | 16% |
| Switzerland | 104 | 71 | 46% | 26% |
| Emerging Markets | 338 | 274 | 23% | 19% |
| LHH | 57 | 72 | -22% | -23% |
| **Adecco Group**[2] | **4,915** | **3,962** | **24%** | **20%** |
| **Operating income**[1] | | | | |
| France | 37 | 27 | 37% | 37% |
| North America | 34 | 21 | 66% | 64% |
| UK & Ireland | 8 | 2 | 326% | 297% |
| Japan | 19 | 17 | 11% | -1% |
| Germany & Austria | 29 | 13 | 119% | 119% |
| Benelux | 11 | 8 | 36% | 36% |
| Italy | 13 | 5 | 158% | 158% |
| Nordics | 3 | 5 | -49% | -52% |
| Iberia | 5 | 5 | 9% | 9% |
| Australia & New Zealand | 3 | 2 | 89% | 67% |
| Switzerland | 9 | 5 | 84% | 59% |
| Emerging Markets | 9 | 7 | 25% | 22% |
| LHH | 11 | 17 | -35% | -37% |
| Corporate Expenses | (19) | (21) | | |
| **EBITA**[3] | **172** | **113** | **53%** | **52%** |
| Amortisation of intangible assets | (14) | (13) | | |
| **Adecco Group** | **158** | **100** | **57%** | **56%** |

1) From Q1 2011 LHH is reported as a separate segment. The 2010 information has been restated to conform to the current year presentation.
2) In Q1 2011 revenues changed organically in North America by 17%; UK & Ireland by 3%; Benelux by 17%; Australia & New Zealand by 15% and Adecco Group by 18%.
3) EBITA is a non US GAAP measure and refers to operating income before amortisation of intangible assets.

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Press Release (Annexes)

# Revenues by business line
***(unaudited)***

| EUR millions | Q1 2011 | Q1 2010 | Variance % | |
|---|---|---|---|---|
| **Revenues**[1,2] | | | EUR | Constant Currency |
| Office | 1,302 | 1,106 | 18% | 11% |
| Industrial | 2,467 | 1,917 | 29% | 27% |
| **General Staffing** | **3,769** | **3,023** | **25%** | **21%** |
| Information Technology | 536 | 434 | 23% | 18% |
| Engineering & Technical | 252 | 202 | 25% | 22% |
| Finance & Legal | 187 | 144 | 29% | 26% |
| Medical & Science | 96 | 75 | 28% | 25% |
| **Professional Staffing** | **1,071** | **855** | **25%** | **21%** |
| **Solutions** | **75** | **84** | **-10%** | **-11%** |
| **Adecco Group** | **4,915** | **3,962** | **24%** | **20%** |

1) Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal and Medical & Science is based on dedicated branches. Solutions include revenues from Human Capital Solutions, Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management Systems (VMS).
The 2010 information has been restated to conform to the current year presentation.

2) In Q1 revenues changed organically in Information Technology by 9%; Engineering & Technical by 14%; Finance & Legal by 5%; Medical & Science by 14%; Professional Staffing by 10%, Solutions by -14% and Adecco Group by 18%.

Press Release (Annexes)

# Consolidated balance sheets

| EUR millions | Mar 31 2011 *(unaudited)* | Dec 31 2010 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| – Cash and cash equivalents | 541 | 549 |
| – Short-term investments | 2 | 5 |
| – Trade accounts receivable, net | 3,618 | 3,541 |
| – Other current assets | 348 | 351 |
| **Total current assets** | **4,509** | **4,446** |
| Property, equipment, and leasehold improvements, net | 286 | 291 |
| Other assets | 308 | 291 |
| Intangible assets, net | 549 | 578 |
| Goodwill | 3,204 | 3,273 |
| **Total assets** | **8,856** | **8,879** |

| **Liabilities and shareholders' equity** | Mar 31 2011 | Dec 31 2010 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities: | | |
| – Accounts payable and accrued expenses | 3,453 | 3,472 |
| – Short-term debt and current maturities of long-term debt | 273 | 217 |
| **Total current liabilities** | **3,726** | **3,689** |
| Long-term debt, less current maturities | 1,076 | 1,088 |
| Other liabilities | 515 | 535 |
| **Total liabilities** | **5,317** | **5,312** |
| **Shareholders' equity** | | |
| Adecco shareholders' equity: | | |
| – Common shares | 118 | 118 |
| – Additional paid-in capital | 2,600 | 2,602 |
| – Treasury shares, at cost | (563) | (532) |
| – Retained earnings | 1,661 | 1,561 |
| – Accumulated other comprehensive income/(loss), net | (280) | (184) |
| **Total Adecco shareholders' equity** | **3,536** | **3,565** |
| Noncontrolling interests | 3 | 2 |
| **Total shareholders' equity** | **3,539** | **3,567** |
| **Total liabilities and shareholders' equity** | **8,856** | **8,879** |

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Press Release (Annexes)

# Consolidated statements of cash flows
***(unaudited)***

| EUR millions | Q1 2011 | Q1 2010 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | 101 | 57 |
| Adjustments to reconcile net income to cash flows from operating activities: | | |
| – Depreciation and amortisation | 37 | 33 |
| – Other charges | (3) | 3 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| – Trade accounts receivable | (153) | (102) |
| – Accounts payable and accrued expenses | 62 | 78 |
| – Other assets and liabilities | (22) | (3) |
| **Cash flows from operating activities** | **22** | **66** |
| **Cash flows from/(used in) investing activities** | | |
| Capital expenditures | (24) | (18) |
| Acquisition of MPS, net of cash acquired | | (831) |
| Cash settlements on derivative instruments | (20) | 6 |
| Other acquisition and investing activities | 1 | (2) |
| **Cash flows from/(used in) investing activities** | **(43)** | **(845)** |
| **Cash flows from/(used in) financing activities** | | |
| Net increase/(decrease) in short-term debt | 58 | (3) |
| Repayment of long-term debt | | (56) |
| Purchase of treasury shares | (36) | |
| **Cash flows from/(used in) financing activities** | **22** | **(59)** |
| **Effect of exchange rate changes on cash** | **(9)** | **22** |
| **Net decrease in cash and cash equivalents** | **(8)** | **(816)** |
| Cash and cash equivalents: | | |
| – Beginning of year | 549 | 1,458 |
| – End of period | 541 | 642 |