Adecco Group

Press Release

Solid performance in Q2 2016

Q2 growth trend continued in July

Second quarter 2016 highlights

- Revenues up 4% organically[1]
- Gross profit up 5% organically
- Gross margin up 10 bps to 18.8%
- EBITA[2] excluding one-offs[3] EUR 284 million, up 6% organically
- EBITA margin excluding one-offs 5.0%, up 10 bps
- Strong cash flow from operating activities of EUR 178 million, DSO down by 1 day to 51 days

Key figures for Q2 2016

in EUR millions	**Q2 2016**	Reported growth	Organic growth
Revenues	5,696	2%	4%
Gross profit	1,071	3%	5%
EBITA excluding one-offs	284	4%	6%
EBITA	282	10%	11%
Operating income	273	10%	
Net income attributable to Adecco shareholders	190	7%	

Zurich, Switzerland, August 10, 2016: the Adecco Group, the world's leading provider of Human Resources solutions, today announced results for Q2 2016. Revenues were EUR 5.7 billion, up 4% organically compared to the prior year. Gross profit was up 5% and EBITA excluding one-offs was up 6%, both organically. The EBITA margin excluding one-offs was 5.0%, up 10 bps. Net income attributable to Adecco shareholders was up 7% to EUR 190 million and basic EPS was up 9% to EUR 1.11.

Alain Dehaze, CEO of the Adecco Group said: *"I would like to thank our colleagues and associates at the Adecco Group for delivering a solid performance in Q2 2016. On an organic basis, revenues were up 4%, or up 3% adjusted for trading days. We maintained our price discipline, costs remained under control, and we generated strong cash flow from operating activities. We are making progress in implementing our strategy and strengthening our portfolio, positioning us to drive strong performance across our business. With our global leadership in workforce solutions, we are very well placed to support our clients with the flexible solutions they need to succeed in this volatile environment."*

[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.
[3] One-offs comprise integration costs of EUR 2 million in Q2 2016, integration costs of EUR 5 million in Q2 2015 and costs for contractual obligations to the former CEO and CFO of EUR 10 million in Q2 2015.

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Q2 2016 FINANCIAL PERFORMANCE

Revenues
Q2 2016 revenues of EUR 5,696 million were up 2% year-on-year on a reported basis. Organically, revenues increased by 4%, or by 3% adjusted for trading days. Currency fluctuations had a negative impact on revenues of approximately 3% and acquisitions had a small positive impact. By business line, revenues grew organically by 4% in General Staffing and by 5% in Professional Staffing. Permanent placement revenues were EUR 121 million, up 9% organically. Revenues from career transition totalled EUR 95 million, up 1% organically compared to the prior year.

Gross Profit
Gross profit amounted to EUR 1,071 million, up 3% or up 5% organically. The gross margin was 18.8%, up 10 bps compared to Q2 2015. Acquisitions had a 10 bps positive impact. On an organic basis, the gross margin was flat. Temporary staffing gross margin was flat, while permanent placement and outplacement each had a neutral impact on gross margin compared to the prior year. The timing of bank holidays in 2016 compared to 2015 positively impacted gross margins in Q2 2016 in countries such as Germany, where associates are fully employed by the Adecco Group.

Selling, General and Administrative Expenses (SG&A)
SG&A was EUR 789 million. SG&A excluding one-offs was EUR 787 million, up 4% organically compared to Q2 2015. In Q2 2016, one-offs comprised EUR 2 million integration costs in Lee Hecht Harrison related to the acquired Penna business. In Q2 2015, one-offs comprised EUR 5 million integration costs in Lee Hecht Harrison related to the acquired Knightsbridge business and EUR 10 million costs for contractual obligations to the former CEO and CFO. FTE employees increased by 3% organically year-on-year. Compared to Q2 2015, the branch network was flat organically. Sequentially, SG&A was up 1% organically and excluding one-offs.

EBITA
EBITA was EUR 282 million. EBITA excluding one-offs was EUR 284 million, up 6% organically. The EBITA margin excluding one-offs was 5.0%, up 10 bps compared to Q2 2015.

Amortisation of Intangible Assets
Amortisation of intangible assets was EUR 9 million compared to EUR 10 million in Q2 2015.

Operating Income
Operating income was EUR 273 million compared to EUR 247 million in the same period last year.

Interest Expense and Other Income/(Expenses), net
Interest expense was EUR 16 million compared to EUR 20 million in Q2 2015. Other income/(expenses), net was an income of EUR 5 million, compared to an income of EUR 9 million in Q2 2015.

Provision for Income Taxes
The effective tax rate was 28%, compared to 25% in the same quarter last year. In Q2 2016, discrete events had a positive impact of approximately 1% on the effective tax rate, while in Q2 2015 the effect was approximately 2%.

Net Income Attributable to Adecco Shareholders and EPS
Net income attributable to Adecco shareholders was up 7% to EUR 190 million compared to EUR 177 million in Q2 2015. Basic EPS increased by 9% to EUR 1.11 from EUR 1.02 in Q2 2015.

Cash Flow, Net Debt[4] and DSO
Cash flow from operating activities was EUR 178 million in Q2 2016 compared to EUR 154 million in Q2 2015. DSO was 51 days in Q2 2016, one day less than in Q2 2015. In Q2 2016, cash flow generated from operating activities included EUR 169 million (Q2 2015: EUR 163 million) of cash proceeds from the sale of a portion of the CICE

[4] 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.

receivables. In Q2 2016, capex was EUR 18 million and the Group paid dividends of EUR 372 million. Net debt at June 30, 2016 was EUR 1,409 million compared to EUR 1,209 million at March 31, 2016. At June 30, 2016 the net debt to EBITDA ratio[5] was 1.1x.

Q2 2016 SEGMENT PERFORMANCE

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

		Revenues		EBITA[1)]		
% of revenues		EUR millions	Organic change yoy	EUR millions	Margin	Margin change yoy
22%	France	1,261	3%	79	6.2%	-40 bps
20%	North America	1,134	-1%	66	5.8%	-30 bps
10%	UK & Ireland	571	6%	12	2.1%	-30 bps
10%	Germany, Austria, Switzerland	553	3%	31	5.7%	230 bps
8%	Benelux and Nordics	473	6%	20	4.3%	130 bps
7%	Italy	374	9%	30	8.1%	80 bps
5%	Japan	312	4%	23	7.2%	140 bps
4%	Iberia	246	11%	12	4.7%	40 bps
12%	Rest of World	661	12%	19	2.8%	-30 bps
2%	Lee Hecht Harrison[1)]	111	0%	31	27.9%	-210 bps
	Corporate[1)]			(39)		
100%	**Adecco Group[1)]**	**5,696**	**4%**	**284**	**5.0%**	**10 bps**

1) In Q2 2016 excluding one-offs comprising integration costs of EUR 2 million in Lee Hecht Harrison. In Q2 2015 excluding one-offs comprising integration costs of EUR 5 million in Lee Hecht Harrison and costs for contractual obligations to the former CEO and CFO of EUR 10 million in Corporate.

In **France,** revenues were EUR 1,261 million, up 3%. Revenues increased by 3% in General Staffing, which accounts for over 90% of revenues, and grew by 10% in Professional Staffing. Revenue growth continued to be good in construction and very strong in automotive, while strikes and bad weather had a negative impact on growth in retail, manufacturing and logistics. Permanent placement revenues in France were up 23%. EBITA was EUR 79 million and the EBITA margin was 6.2% compared to 6.6% in the prior year.

In **North America**, revenues were EUR 1,134 million, down 1%. In North America, General Staffing accounts for approximately half of revenues, and declined by 3%. Revenues declined by 4% in Industrial and by 1% in Office. In Professional Staffing, revenues were up 1%, with growth of 22% in Medical & Science and 10% in Finance & Legal, and declines of 5% in IT and 7% in Engineering & Technical. Permanent placement revenues in North America were up 5%. EBITA was EUR 66 million with a margin of 5.8%, down 30 bps compared to Q2 2015.

In the **UK & Ireland,** revenues were EUR 571 million, up 6% or up 3% adjusted for trading days. Approximately two-thirds of revenues come from Professional Staffing, which returned to growth with an increase of 4%. Revenues grew by 6% in IT, partially offset by a 3% decline in Finance & Legal. In General Staffing, revenues increased by 9%. Permanent placement revenues in the UK & Ireland were up 5%. EBITA was EUR 12 million and the EBITA margin was 2.1% compared to 2.4% in Q2 2015.

[5] Net debt to EBITDA ratio is calculated as net debt at June 30, 2016 divided by last 4 quarters of EBITDA excluding one-offs.

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In **Germany, Austria, Switzerland** revenues were EUR 553 million, up 3% or down 2% adjusted for trading days. In Germany & Austria, revenues were down 1% adjusted for trading days, as a decline in automotive was partially offset by growth in manufacturing. In Switzerland, revenues declined by 4% adjusted for trading days, negatively impacted by reductions in the export-related and medical sectors. EBITA in Germany, Austria, Switzerland was EUR 31 million, with a margin of 5.7%. This is an increase of 230 bps compared to Q2 2015, mainly driven by the timing of bank holidays.

In **Benelux and Nordics,** revenues were EUR 473 million, an increase of 6% or 2% adjusted for trading days. In the Nordics, revenues were up 4% adjusted for trading days. Norway returned to growth after six quarters of decline and growth also accelerated strongly in Denmark and in Finland. Revenues in Benelux were up 1% adjusted for trading days. We outperformed the market in Belgium with broad-based growth, while in the Netherlands our price discipline negatively impacted growth in a competitive market. The EBITA margin in Benelux and Nordics increased by 130 bps to 4.3%, driven by the timing of bank holidays and the positive effect of cost reduction measures taken in Norway.

In **Italy,** revenues were EUR 374 million, up 9% or up 7% adjusted for trading days. The EBITA margin was 8.1%, up 80 bps year-on-year, driven by continued strong growth in permanent placement and helped by the effect of regulation changes in 2015.

In **Japan,** revenues increased by 4% to EUR 312 million, with strong growth in professional staffing and permanent placement. EBITA was EUR 23 million and the EBITA margin increased by 140 bps to 7.2%, helped by a reduction in IT costs compared to the prior year.

In **Iberia,** revenues were EUR 246 million, up 11% or up 6% adjusted for trading days, against a strong comparison base. The EBITA margin was up 40 bps year-on-year to 4.7%.

In **Rest of World,** revenues grew by 12% to EUR 661 million. Revenue growth was 12% in Australia & New Zealand, 7% in Latin America, 16% in Eastern Europe & MENA, 7% in Asia and 24% in India. The EBITA margin in Rest of World was 2.8%, down 30 bps.

In **Lee Hecht Harrison**, the global leader in Career Transition and Talent Development, revenues were EUR 111 million. Revenues increased by 6% in constant currency following the acquisition of Penna in May 2016. Organically revenues were flat, with growth in the USA and the UK offset by declines in France and Canada. The EBITA margin excluding integration costs was 27.9%, down 210 bps compared to the prior year, driven by the mix impact from the consolidation of Penna and by operating deleverage in France.

MANAGEMENT OUTLOOK

In Q2 2016, organic revenue growth was 3% adjusted for trading days. Compared to the Q1 exit rate of 3% in March, April was slightly stronger, May was weaker, and June was back to 3%, all organically and adjusted for trading days. Volume growth in July was similar to June. The global economic outlook remains uncertain, and the Adecco Group will adapt to any changes in market conditions, maintaining price discipline and tight cost control. In Q3 2016, SG&A excluding one-offs is expected to be similar to Q2 2016.

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.

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Q2 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 Q2 2016 results presentation will be available through the webcasts and will be published on the Investor Relations section on our website.

Financial Agenda

• Q3 2016 results	November 8, 2016
• Q4 2016 results	March 2, 2017

About the Adecco Group
The Adecco Group, based in Zurich, Switzerland, is the world's leading provider of HR solutions. With more than 33,000 FTE employees and around 5,100 branches in 60 countries and territories around the world, the Adecco Group offers a wide variety of services, connecting approximately 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).

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Consolidated statements of operations

EUR millions except share and per share information	Q2 2016	Q2 2015	Variance % EUR	Variance % Constant Currency	HY 2016	HY 2015	Variance % EUR	Variance % Constant Currency
Revenues	**5,696**	**5,582**	**2%**	**5%**	**11,028**	**10,665**	**3%**	**5%**
Direct costs of services	(4,625)	(4,541)			(8,946)	(8,652)		
Gross profit	**1,071**	**1,041**	**3%**	**6%**	**2,082**	**2,013**	**3%**	**4%**
Selling, general, and administrative expenses	(789)	(784)	1%	4%	(1,572)	(1,520)	3%	4%
EBITA[1]	**282**	**257**	**10%**	**12%**	**510**	**493**	**3%**	**4%**
Amortisation of intangible assets	(9)	(10)			(18)	(18)		
Operating income	**273**	**247**	**10%**	**12%**	**492**	**475**	**4%**	**4%**
Interest expense	(16)	(20)			(31)	(34)		
Other income/(expenses), net	5	9			5	10		
Income before income taxes	**262**	**236**	**11%**		**466**	**451**	**3%**	
Provision for income taxes	(72)	(58)			(131)	(112)		
Net income	**190**	**178**	**7%**		**335**	**339**	**-1%**	
Net income attributable to noncontrolling interests		(1)			(1)	(2)		
Net income attributable to Adecco shareholders	**190**	**177**	**7%**		**334**	**337**	**-1%**	
Basic earnings per share[2]	1.11	1.02	9%		1.96	1.95	1%	
Diluted earnings per share[3]	1.11	1.02	9%		1.96	1.94	1%	
Gross margin	*18.8%*	*18.7%*			*18.9%*	*18.9%*		
SG&A as a percentage of revenues	*13.9%*	*14.0%*			*14.3%*	*14.2%*		
EBITA margin	*4.9%*	*4.6%*			*4.6%*	*4.6%*		
Operating income margin	*4.8%*	*4.4%*			*4.5%*	*4.5%*		
Net income margin attributable to Adecco shareholders	*3.3%*	*3.2%*			*3.0%*	*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 170,328,978 in Q2 2016 and 170,245,955 in HY 2016 (173,335,569 in Q2 2015 and 173,278,121 in HY 2015).

3) Diluted weighted-average shares were 170,526,766 in Q2 2016 and 170,440,257 in HY 2016 (173,521,095 in Q2 2015 and 173,497,432 in HY 2015).

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Revenues by segment and by business line

Revenues by segment	Q2		Variance %		HY		Variance %	
EUR millions	2016	2015	EUR	Constant Currency	2016	2015	EUR	Constant Currency
France	1,261	1,221	3%	3%	2,366	2,259	5%	5%
North America	1,134	1,186	-4%	-1%	2,283	2,263	1%	0%
UK & Ireland[1)]	571	564	1%	9%	1,116	1,119	0%	4%
Germany, Austria, Switzerland	553	544	2%	3%	1,062	1,062	0%	1%
Benelux and Nordics	473	450	5%	6%	909	868	5%	6%
Italy	374	344	9%	9%	693	637	9%	9%
Japan	312	281	11%	4%	612	555	10%	3%
Iberia	246	222	11%	11%	466	424	10%	10%
Rest of World	661	662	0%	12%	1,304	1,276	2%	13%
Lee Hecht Harrison[1)]	111	108	2%	6%	217	202	7%	8%
Adecco Group[1)]	**5,696**	**5,582**	**2%**	**5%**	**11,028**	**10,665**	**3%**	**5%**

Revenues by business line[2)]	Q2		Variance %		HY		Variance %	
EUR millions	2016	2015	EUR	Constant Currency	2016	2015	EUR	Constant Currency
Office[3)]	1,368	1,332	3%	6%	2,673	2,581	4%	5%
Industrial	2,877	2,818	2%	4%	5,474	5,288	4%	5%
General Staffing[3)]	**4,245**	**4,150**	**2%**	**5%**	**8,147**	**7,869**	**4%**	**5%**
Information Technology	662	653	1%	6%	1,307	1,284	2%	4%
Engineering & Technical	273	286	-5%	-2%	542	569	-5%	-5%
Finance & Legal	235	227	3%	7%	475	440	8%	8%
Medical & Science	115	104	11%	13%	231	201	15%	15%
Professional Staffing	**1,285**	**1,270**	**1%**	**5%**	**2,555**	**2,494**	**2%**	**3%**
CTTD[3)]	111	108	2%	6%	217	202	7%	8%
BPO	55	54	2%	5%	109	100	10%	9%
Solutions[3)]	**166**	**162**	**2%**	**6%**	**326**	**302**	**8%**	**9%**
Adecco Group[3)]	**5,696**	**5,582**	**2%**	**5%**	**11,028**	**10,665**	**3%**	**5%**

1) In Q2 2016 revenues changed organically in UK & Ireland by 6% (HY: 3%), in Lee Hecht Harrison by 0% (HY: 0%) and in the Adecco Group by 4% (HY: 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 Q2 2016 revenues changed organically in Office by 5%, in General Staffing by 4%, in CTTD by 0% (HY: 0%), in Solutions by 2% (HY: 3%) and in the Adecco Group by 4% (HY: 4%).

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EBITA[1] and EBITA margin by segment

EBITA	Q2		Variance %		HY		Variance %	
EUR millions	2016	2015	EUR	Constant Currency	2016	2015	EUR	Constant Currency
France	79	81	-3%	-3%	142	144	-1%	-1%
North America	66	72	-8%	-5%	132	131	0%	0%
UK & Ireland	12	14	-11%	-4%	23	26	-9%	-4%
Germany, Austria, Switzerland	31	18	71%	76%	50	51	-3%	-2%
Benelux and Nordics	20	13	48%	49%	30	22	32%	31%
Italy	30	26	20%	20%	53	42	27%	27%
Japan	23	16	38%	30%	43	33	27%	19%
Iberia	12	9	21%	21%	19	18	4%	4%
Rest of World	19	21	-9%	8%	35	40	-12%	1%
Lee Hecht Harrison	29	27	5%	9%	62	57	9%	10%
Corporate	(39)	(40)			(79)	(71)		
Adecco Group	**282**	**257**	**10%**	**12%**	**510**	**493**	**3%**	**4%**

EBITA margin	Q2 2016	Q2 2015	Variance bps	HY 2016	HY 2015	Variance bps
France	6.2%	6.6%	(40)	6.0%	6.4%	(40)
North America	5.8%	6.1%	(30)	5.8%	5.8%	0
UK & Ireland	2.1%	2.4%	(30)	2.1%	2.3%	(20)
Germany, Austria, Switzerland	5.7%	3.4%	230	4.7%	4.9%	(20)
Benelux and Nordics	4.3%	3.0%	130	3.3%	2.6%	70
Italy	8.1%	7.3%	80	7.6%	6.5%	110
Japan	7.2%	5.8%	140	6.9%	6.0%	90
Iberia	4.7%	4.3%	40	4.1%	4.3%	(20)
Rest of World	2.8%	3.1%	(30)	2.7%	3.1%	(40)
Lee Hecht Harrison	26.3%	25.5%	80	28.8%	28.3%	50
Adecco Group	**4.9%**	**4.6%**	**30**	**4.6%**	**4.6%**	**0**

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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Consolidated balance sheets

EUR millions	June 30 2016	December 31 2015
Assets		
Current assets:		
– Cash and cash equivalents	948	1,198
– Short-term investments	10	10
– Trade accounts receivable, net	4,213	3,972
– Other current assets	334	307
Total current assets	**5,505**	**5,487**
Property, equipment, and leasehold improvements, net	183	192
Other assets	448	512
Intangible assets, net	532	517
Goodwill	3,069	3,018
Total assets	**9,737**	**9,726**
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
– Accounts payable and accrued expenses	3,774	3,779
– Short-term debt and current maturities of long-term debt	533	415
Total current liabilities	**4,307**	**4,194**
Long-term debt, less current maturities	1,834	1,832
Other liabilities	363	354
Total liabilities	**6,504**	**6,380**
Shareholders' equity		
Adecco shareholders' equity:		
– Common shares	108	108
– Additional paid-in capital	575	721
– Treasury shares, at cost	(259)	(258)
– Retained earnings	2,883	2,782
– Accumulated other comprehensive income/(loss), net	(81)	(13)
Total Adecco shareholders' equity	**3,226**	**3,340**
Noncontrolling interests	7	6
Total shareholders' equity	**3,233**	**3,346**
Total liabilities and shareholders' equity	**9,737**	**9,726**

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Consolidated statements of cash flows

EUR millions	Q2		HY	
	2016	**2015**	**2016**	**2015**
Cash flows from operating activities				
Net income	190	178	335	339
Adjustments to reconcile net income to cash flows from operating activities:				
– Depreciation and amortisation	30	33	60	65
– Other charges	2	5	2	12
Changes in operating assets and liabilities, net of acquisitions:				
– Trade accounts receivable	(296)	(270)	(286)	(319)
– Accounts payable and accrued expenses	138	97	(9)	75
– Other assets and liabilities	114	111	34	36
Cash flows from operating activities	**178**	**154**	**136**	**208**
Cash flows from investing activities				
Capital expenditures	(18)	(24)	(32)	(44)
Acquisition of Penna, net of cash acquired	13		(122)	
Acquisition of Knightsbridge, net of cash acquired		(58)		(58)
Cash settlements on derivative instruments	5	(69)	56	(102)
Other acquisition and investing activities, net	(6)	(6)	(7)	(6)
Cash used in investing activities	**(6)**	**(157)**	**(105)**	**(210)**
Cash flows from financing activities				
Net increase in short-term debt	390	84	438	288
Borrowings of long-term debt, net of issuance costs		498		498
Repayment of long-term debt			(316)	
Dividends paid to shareholders	(372)	(348)	(372)	(348)
Purchase of treasury shares		(11)	(20)	(37)
Other financing activities, net			(1)	
Cash flows from/(used in) financing activities	**18**	**223**	**(271)**	**401**
Effect of exchange rate changes on cash	5	(18)	(10)	29
Net increase/(decrease) in cash and cash equivalents	**195**	**202**	**(250)**	**428**
Cash and cash equivalents:				
– Beginning of period	753	921	1,198	695
– End of period	948	1,123	948	1,123