Adecco Group

Press Release

Adecco maintains positive momentum in Q1 2014

Further gradual improvement in revenue trend and continued margin expansion

First quarter 2014 highlights

- Revenues up 6% year-on-year in constant currency
- Gross margin 18.6%, up 60 bps
- SG&A excluding restructuring costs[1] up 3% in constant currency
- EBITA[2] excluding restructuring costs EUR 185 million, up 41% in constant currency
- EBITA margin excluding restructuring costs 4.0%, up 100 bps
- Net income attributable to Adecco shareholders up 64%, basic EPS up 69%

Key figures Q1 2014

in EUR millions	Q1 2014	Reported growth	Constant currency growth
Revenues	4,656	2%	6%
Gross profit	868	6%	10%
EBITA excluding restructuring costs	185	35%	41%
EBITA	180	42%	49%
Operating income	171	47%	54%
Net income attributable to Adecco shareholders	110	64%	

Zurich, Switzerland, May 8, 2014: the Adecco Group, the world's leading provider of Human Resources solutions, today announced results for Q1 2014. Revenues were EUR 4.7 billion, up 6% in constant currency. The gross margin was 18.6%, an increase of 60 bps versus the prior year. SG&A excluding restructuring costs was up 3% in constant currency. The EBITA margin excluding restructuring costs was 4.0%, up 100 bps compared to the same quarter last year. Net income attributable to Adecco shareholders was up 64% to EUR 110 million and basic EPS increased by 69% to EUR 0.62.

Patrick De Maeseneire, CEO of the Adecco Group said: *"In the first quarter our more than 31,000 colleagues delivered another strong performance. Revenue growth continued to pick up in Europe, led once again by our Industrial business. Demand in manufacturing accelerated further, which is a good early-cycle indicator. We achieved double-digit constant currency growth in Iberia, Italy, Germany & Austria, Benelux, the Nordics and Eastern Europe, showing that the European economic recovery is slowly strengthening and broadening. During the first four months of the year, the Group as a whole has seen a trend of gradual improvement: revenue growth was 5% for January and February combined and 6% for March and April combined, in constant currency and adjusted for trading days. We continue to be very focused on reaching our EBITA margin target of above 5.5% in 2015. Based on the good progress on our six strategic priorities, recent trends and continued favourable economic conditions expected going forward, we remain convinced we will achieve this target."*

[1] Restructuring costs were EUR 5 million in Q1 2014 and EUR 11 million in Q1 2013.
[2] EBITA is a non US GAAP measure and refers to operating income before amortisation of intangible assets.

Q1 2014 FINANCIAL PERFORMANCE

Revenues
Q1 2014 revenues of EUR 4.7 billion were up 2% year-on-year, or up 6% in constant currency. Currency fluctuations had a negative impact on revenues of approximately 4% and there was no material impact from acquisitions and divestitures. Permanent placement revenues amounted to EUR 81 million, up 5% in constant currency. Revenues from Career Transition (outplacement) totalled EUR 77 million, up 13% in constant currency.

Gross Profit
Gross profit amounted to EUR 868 million, an increase of 6% or 10% in constant currency. The gross margin was 18.6%, up 60 bps year-on-year. Temporary staffing had a 60 bps positive impact on gross margin, driven by our continued strict approach to pricing as well as the effect of the French CICE (tax credit for competitiveness and employment). The outplacement business added a further 10 bps to gross margin, permanent placement had a neutral effect and other activities had a negative impact of 10 bps.

Selling, General and Administrative Expenses (SG&A)
SG&A was EUR 688 million, down 1% compared to Q1 2013. Restructuring costs were EUR 5 million, compared to EUR 11 million in Q1 2013. SG&A excluding restructuring costs was up 3% in constant currency to EUR 683 million. Sequentially, SG&A excluding restructuring costs was up 2% in constant currency. FTE employees decreased by 1% to 31,400 and the branch network decreased by 4% to 5,040 compared to Q1 2013.

EBITA
EBITA was EUR 180 million. EBITA excluding restructuring costs was EUR 185 million, up 41% in constant currency compared to the prior year. The EBITA margin excluding restructuring costs was 4.0%, up 100 bps compared to 3.0% in Q1 2013.

Amortisation of Intangible Assets
Amortisation of intangible assets was EUR 9 million compared to EUR 11 million in Q1 2013.

Operating Income
Operating income was EUR 171 million compared to EUR 116 million last year.

Interest Expense and Other Income/(Expenses), net
Interest expense was EUR 20 million compared to EUR 19 million in Q1 2013. Other income/(expenses) net, was an income of EUR 1 million in Q1 2014 compared to an expense of EUR 2 million in Q1 2013.

Provision for Income Taxes
The effective tax rate was 27% compared to 29% in the prior year.

Net Income Attributable to Adecco Shareholders and EPS
Net income attributable to Adecco shareholders was EUR 110 million compared to EUR 67 million last year. Basic EPS increased to EUR 0.62 from EUR 0.37.

Cash flow, Net Debt[3] and DSO
Cash flow generated from operating activities was EUR 103 million in Q1 2014 compared to cash used in operating activities of EUR 28 million in the same period last year. The Group invested EUR 17 million in capex and paid EUR 30 million for treasury shares. Net debt at the end of March 2014 was EUR 1,028 million compared to EUR 1,096 million at year end 2013. DSO was 53 days in Q1 2014, one day less than in Q1 2013.

[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.

Press Release

Q1 2014 SEGMENT PERFORMANCE

Note: all revenue growth rates in this section are year-on-year on an organic[4] basis, unless otherwise stated

		Revenues		EBITA excluding restructuring costs[1]		
% of revenues		EUR millions	Organic change yoy	EUR millions	Margin	Margin change yoy
23%	France	1,056	1%	50	4.8%	230 bps
19%	North America	874	2%	36	4.1%	10 bps
11%	UK & Ireland	509	9%	10	1.9%	10 bps
9%	Germany & Austria	421	13%	27	6.5%	160 bps
5%	Japan	248	0%	12	4.8%	30 bps
5%	Italy	249	14%	12	4.8%	-10 bps
5%	Benelux	226	11%	8	3.4%	160 bps
4%	Nordics	195	10%	4	2.1%	270 bps
4%	Iberia	174	16%	6	3.2%	140 bps
2%	Australia & New Zealand	78	-21%	(1)	-1.4%	-250 bps
2%	Switzerland	93	4%	6	7.0%	-10 bps
9%	Emerging Markets	448	13%	15	3.3%	40 bps
2%	LHH	85	10%	27	31.5%	370 bps
	Corporate			(27)		
100%	**Adecco Group**	**4,656**	**6%**	**185**	**4.0%**	**100 bps**

1) In Q1 2014, restructuring costs were EUR 5 million for North America; in Q1 2013, restructuring costs were EUR 6 million for France, EUR 4 million for North America and EUR 1 million for LHH.

In **France,** revenues of EUR 1.1 billion were up 1%. The return to growth was driven by an increase of 3% in Industrial, which accounts for approximately 85% of revenues in France. In Office, revenues decreased by 16%, while in Professional Staffing the decline was 3%. Permanent placement revenues in France returned to growth and were up 4%. EBITA was EUR 50 million and the EBITA margin was 4.8%. This is a 230 bps increase compared to the EBITA margin excluding restructuring costs of 2.5% in Q1 2013. This quarter CICE (tax credit for competitiveness and employment) had a further positive effect year-on-year, due to the increase in the rate of the credit from December 1, 2013 and the reassessment we made in Q3 2013 of CICE relating to prior periods and going forward.

In **North America**, revenues were EUR 874 million. This is an increase of 2%, held back by adverse weather conditions in January and February 2014. In North America, General Staffing accounts for approximately half of revenues, split roughly evenly between Industrial and Office. In Industrial, revenue growth remained strong at 9%. In Office, revenues declined by 5%, driven by continued weak demand from clients in Financial Services. Revenues in Professional Staffing grew by 2%, driven by steady growth of 5% in IT. Revenues in Finance & Legal were up 1%, with good growth in Finance offset by a decline in Legal, which benefited from a large contract in the prior year that did not recur. Engineering & Technical was flat and Medical & Science saw a decline of 3%. Permanent placement revenues in North America were up 11%. EBITA was EUR 31 million, which includes restructuring costs of EUR 5 million related to the move to a single headquarters in North America. EBITA excluding restructuring costs was EUR 36 million, with the margin increasing by 10 bps to 4.1%.

[4] Organic growth is a non US GAAP measure and excludes the impact of currency, acquisitions and divestitures.

In the **UK & Ireland,** revenues increased by 9% to EUR 509 million. Approximately two-thirds of revenues come from Professional Staffing, which grew by 13%. This included revenue growth of 17% in IT and 4% in Finance & Legal, partly offset by a 10% decline in Engineering & Technical. Within General Staffing, the majority of revenues are in Office, which saw a flat revenue development. Permanent placement revenues in the UK & Ireland were flat. EBITA was EUR 10 million with a margin of 1.9% compared to 1.8% in Q1 2013.

In **Germany & Austria,** revenues were EUR 421 million, up 13%. Growth was driven by Industrial, which accounts for approximately 70% of revenues and which grew by 19% in Q1 2014 after growth of 14% in Q4 2013. Demand from clients in the automotive and equipment manufacturing sectors continued to be good. Revenues in Professional Staffing fell 3%, driven by a decline of 3% in Engineering & Technical. EBITA was EUR 27 million, with a margin of 6.5% compared to 4.9% in Q1 2013. This increase was partly due to the timing of bank holidays, with Easter Friday falling in March last year and in April this year.

In **Japan,** revenues were EUR 248 million, in-line with Q1 2013. Revenues declined by 4% in Office, which accounts for approximately 75% of our revenues in Japan. This was offset by strong revenue growth of 10% in our smaller Professional Staffing business, which comprises IT and Engineering & Technical. Despite the flat revenues, profitability was again strong. EBITA was EUR 12 million and the EBITA margin was 4.8% compared to 4.5% in the prior year.

In **Italy,** revenues were up 14%, helped by good demand from manufacturing clients. Profitability continued to be robust with an EBITA margin of 4.8%. In **Benelux,** revenues increased by 11%, with especially strong performances in the Netherlands and Luxembourg. The EBITA margin strengthened to 3.4%, up 160 bps year-on-year.

In the **Nordics,** revenues were up 10%. In Norway the environment remains challenging, but Sweden returned to good growth after two years of difficult market conditions. Revenue growth continued to be strong in Denmark. In the Nordics the EBITA margin improved to 2.1% compared to -0.6% in the prior year. In **Iberia,** revenues were up 16%, driven by further strengthening demand from export-oriented clients. The EBITA margin was 3.2%, up 140 bps year-on-year due to strong operating leverage.

In **Australia & New Zealand,** revenues fell by 21%, negatively impacted by client losses in the second half of 2013. This resulted in significant deleveraging and weak profitability. In **Switzerland**, revenues returned to growth and were up 4%. Profitability continued to be strong, with an EBITA margin of 7.0%.

In the **Emerging Markets**, revenue growth was 13%, with the excellent growth in Eastern Europe & MENA further accelerating to 30%. The EBITA margin for Emerging Markets was 3.3%, up 40 bps year-on-year.

Revenues of **LHH**, Adecco's Career Transition and Talent Development business, were up 10%. This included double-digit growth in both North America and France, which account for approximately 50% and 25% of LHH revenues, respectively. The EBITA margin for LHH was strong at 31.5%.

Press Release

MANAGEMENT OUTLOOK

In the first quarter we saw a continuation of the positive momentum with which we ended last year. Revenue growth continued to pick up in Europe, led once again by our Industrial business. Demand in manufacturing accelerated further, which is a good early-cycle indicator. We achieved double-digit constant currency growth across most of our regions in Europe, showing that the European economic recovery is slowly strengthening and broadening.

During the first four months of the year, the Group as a whole has seen a trend of gradual improvement: revenue growth was 5% for January and February combined and 6% for March and April combined, in constant currency and adjusted for trading days. Based on the current economic outlook and the trends we see within our business, we expect demand for flexible labour to increase further over the course of 2014.

Given these trends, we will continue to invest selectively where we see organic growth opportunities and where productivity is already at a high level, whilst maintaining our overall focus on tight cost control. SG&A in Q2 2014 is expected to be at a similar level to Q1 2014 on a constant currency basis and excluding restructuring costs.

We continue to be very focused on reaching our EBITA margin target of above 5.5% in 2015. Based on the good progress on our six strategic priorities, recent trends and continued favourable economic conditions expected going forward, we remain convinced we will achieve this target.

SHARE BUYBACK PROGRAMME

In September 2013, the Company launched a share buyback programme of up to EUR 250 million on a second trading line with the aim of subsequently cancelling the shares and reducing the share capital. To date, the Company has acquired 1.2 million shares under this programme for EUR 70 million.

For further information please contact:

Adecco Corporate Investor Relations
Investor.relations@adecco.com or +41 (0) 44 878 89 89

Adecco Corporate Press Office
Press.office@adecco.com or +41 (0) 44 878 87 87

Q1 2014 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. The conferences 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

Adecco Group

Press Release

The Q1 2014 results presentation will be available through the webcasts and will be published in the Investor Relations section on our website.

Financial Agenda

• Q2/HY 2014 results	August 7, 2014
• Investor Days	September 24/25, 2014
• Q3 2014 results	November 6, 2014

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 31,000 FTE employees and more than 5,000 branches, in over 60 countries and territories around the world, Adecco Group offers a wide variety of services, connecting more than 650,000 associates with over 100,000 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 S.A. is registered in Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN).

Press Release

Consolidated statements of operations

(unaudited)

EUR millions except share and per share information	Q1 2014	Q1 2013	Variance % EUR	Variance % Constant Currency
Revenues	4,656	4,556	2%	6%
Direct costs of services	(3,788)	(3,735)		
Gross profit	**868**	**821**	6%	10%
Selling, general and administrative expenses	(688)	(694)	-1%	3%
EBITA[1]	**180**	**127**	42%	49%
Amortisation of intangible assets	(9)	(11)		
Operating income	**171**	**116**	47%	54%
Interest expense	(20)	(19)		
Other income/(expenses), net	1	(2)		
Income before income taxes	**152**	**95**	60%	
Provision for income taxes	(41)	(28)		
Net income	**111**	**67**	64%	
Net income attributable to noncontrolling interests	(1)			
Net income attributable to Adecco shareholders	**110**	**67**	**64%**	
Basic earnings per share [2]	0.62	0.37	69%	
Diluted earnings per share [2]	0.62	0.37	69%	
Gross margin	*18.6%*	*18.0%*		
SG&A as a percentage of revenues	*14.8%*	*15.2%*		
EBITA margin	*3.9%*	*2.8%*		
Operating income margin	*3.7%*	*2.5%*		
Net income margin attributable to Adecco shareholders	*2.4%*	*1.5%*		

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

2) Basic weighted-average shares were 177,999,710 in Q1 2014 (183,883,797 in Q1 2013) and diluted weighted-average shares were 178,371,605 in Q1 2014 (184,118,222 in Q1 2013).

Adecco Group

Press Release

Revenues by segment and by business line

(unaudited)

Revenues by segment	Q1		Variance %	
in EUR millions	**2014**	**2013**	EUR	Constant Currency
France	1,056	1,050	1%	1%
North America	874	888	-2%	2%
UK & Ireland	509	456	12%	9%
Germany & Austria	421	373	13%	13%
Japan	248	292	-15%	0%
Italy	249	219	14%	14%
Benelux	226	204	11%	11%
Nordics	195	191	2%	10%
Iberia	174	149	16%	16%
Australia & New Zealand	78	117	-33%	-21%
Switzerland	93	89	4%	4%
Emerging Markets	448	449	0%	13%
LHH	85	79	7%	10%
Adecco Group	**4,656**	**4,556**	**2%**	**6%**

Revenues by business line[1]	Q1		Variance %	
in EUR millions	**2014**	**2013**	EUR	Constant Currency
Office	1,139	1,206	-6%	1%
Industrial	2,289	2,147	7%	9%
General Staffing	**3,428**	**3,353**	**2%**	**6%**
Information Technology	576	544	6%	9%
Engineering & Technical	272	278	-2%	1%
Finance & Legal	184	185	0%	1%
Medical & Science	82	94	-12%	-10%
Professional Staffing	**1,114**	**1,101**	**1%**	**4%**
CTTD	85	79	7%	10%
BPO	29	23	27%	30%
Solutions	**114**	**102**	**11%**	**15%**
Adecco Group	**4,656**	**4,556**	**2%**	**6%**

1) 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).

Adecco Group

Press Release

EBITA[1] and EBITA margin by segment

(unaudited)

EBITA	**Q1**		Variance %	
in EUR millions	**2014**	**2013**	EUR	Constant Currency
France	50	21	146%	146%
North America	31	32	-3%	1%
UK & Ireland	10	8	20%	18%
Germany & Austria	27	18	49%	49%
Japan	12	13	-11%	6%
Italy	12	11	12%	12%
Benelux	8	4	111%	111%
Nordics	4	(1)	n.m.	n.m.
Iberia	6	3	103%	103%
Australia & New Zealand	(1)	1	-185%	-199%
Switzerland	6	6	2%	2%
Emerging Markets	15	13	13%	32%
LHH	27	21	25%	30%
Corporate	(27)	(23)		
Adecco Group	**180**	**127**	**42%**	**49%**

EBITA margin	**Q1**		Variance
	2014	**2013**	bps
France	4.8%	2.0%	280
North America	3.5%	3.6%	-10
UK & Ireland	1.9%	1.8%	10
Germany & Austria	6.5%	4.9%	160
Japan	4.8%	4.5%	30
Italy	4.8%	4.9%	-10
Benelux	3.4%	1.8%	160
Nordics	2.1%	-0.6%	270
Iberia	3.2%	1.8%	140
Australia & New Zealand	-1.4%	1.1%	-250
Switzerland	7.0%	7.1%	-10
Emerging Markets	3.3%	2.9%	40
LHH	31.5%	26.9%	460
Adecco Group	**3.9%**	**2.8%**	**110**

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

Press Release

Consolidated balance sheets

EUR millions	March 31 2014 *(unaudited)*	December 31 2013
Assets		
Current assets:		
– Cash and cash equivalents	1,097	963
– Short-term investments	1	
– Trade accounts receivable, net	3,494	3,526
– Other current assets	247	254
Total current assets	**4,839**	**4,743**
Property, equipment, and leasehold improvements, net	226	243
Other assets	469	422
Intangible assets, net	506	513
Goodwill	3,413	3,408
Total assets	**9,453**	**9,329**
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
– Accounts payable and accrued expenses	3,320	3,346
– Short-term debt and current maturities of long-term debt	553	492
Total current liabilities	**3,873**	**3,838**
Long-term debt, less current maturities	1,573	1,567
Other liabilities	380	367
Total liabilities	**5,826**	**5,772**
Shareholders' equity		
Adecco shareholders' equity:		
– Common shares	118	118
– Additional paid-in capital	1,342	1,352
– Treasury shares, at cost	(478)	(461)
– Retained earnings	2,961	2,851
– Accumulated other comprehensive income/(loss), net	(320)	(307)
Total Adecco shareholders' equity	**3,623**	**3,553**
Noncontrolling interests	4	4
Total shareholders' equity	**3,627**	**3,557**
Total liabilities and shareholders' equity	**9,453**	**9,329**

Adecco Group

Press Release

Consolidated statements of cash flows

(unaudited)

EUR millions	Q1 2014	Q1 2013
Cash flows from operating activities		
Net income	111	67
Adjustments to reconcile net income to cash flows from operating activities:		
– Depreciation and amortisation	32	36
– Other charges	11	(3)
Changes in operating assets and liabilities, net of acquisitions:		
– Trade accounts receivable	24	(46)
– Accounts payable and accrued expenses	(32)	(31)
– Other assets and liabilities	(43)	(51)
Cash flows from/(used in) operating activities	**103**	**(28)**
Cash flows from investing activities		
Capital expenditures	(17)	(20)
Proceeds from sale of property and equipment	17	1
Cash settlements on derivative instruments	11	16
Other acquisition and investing activities, net	(3)	
Cash flows from/(used in) investing activities	**8**	**(3)**
Cash flows from financing activities		
Net increase/(decrease) in short-term debt	62	(54)
Repayment of long-term debt		(4)
Purchase of treasury shares, net	(30)	(69)
Other financing activities, net		(1)
Cash flows from/(used in) financing activities	**32**	**(128)**
Effect of exchange rate changes on cash	(9)	(3)
Net increase/(decrease) in cash and cash equivalents	**134**	**(162)**
Cash and cash equivalents:		
– Beginning of period	963	1,103
– End of period	1,097	941