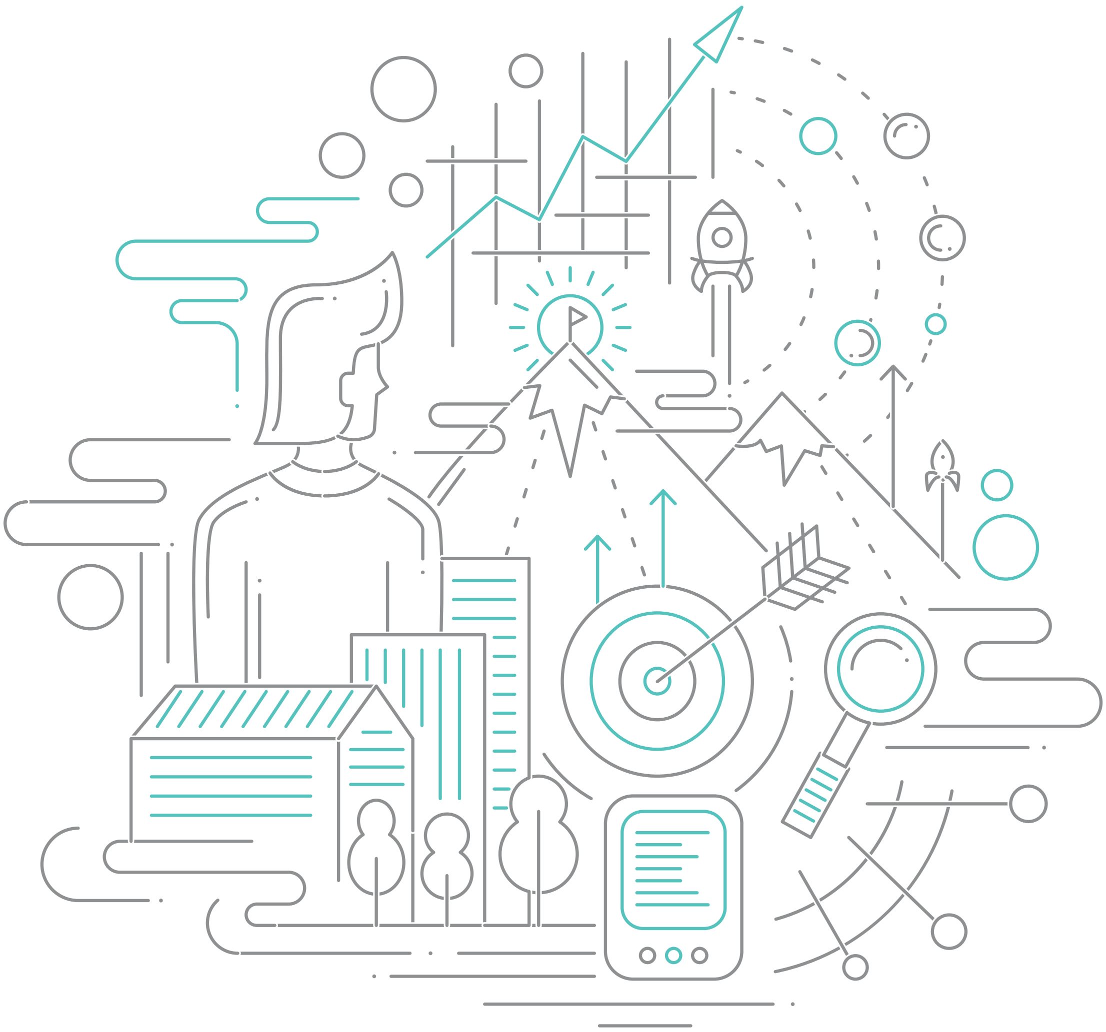
THE ADECCO GROUP

Making the future work for everyone



2017 Annual Report

THE ADECCO GROUP AT A GLANCE

One company, many strengths

Our lead brands and global footprint

Workforce Solutions

Adecco Adia

We provide candidates with generalist skills to small, medium and large clients, mainly through temporary staffing, permanent placement and outsourcing services. Workforce Solutions operates across all sectors, under the global Adecco brand. Our 'recruitment on demand' online staffing platform operates under the relaunched Adia brand, mainly focusing on hospitality and events. Workforce Solutions comprises two business lines:

Office
We provide clerical and support personnel in all areas of office-based employment.

Industrial
We provide candidates for blue-collar job profiles across many industrial and service sectors.

Contribution to Group revenues:

76%

Office:	24%
Industrial:	52%

Professional Staffing & Solutions

Badenoch & Clark Spring Professional modis YOSS

We support our clients in finding and attracting talent with professional and highly sought-after skills. Our global lead brands in Professional Staffing & Solutions are: Badenoch & Clark, Modis, Spring Professional and YOSS.

Information Technology (IT)
We support organisations across all industries in their IT workforce requirements.

Engineering & Technical
We provide candidates with skilled professional profiles across all engineering and technical disciplines to clients in a wide range of industries.

Finance & Legal
We support organisations by finding qualified professionals in the accounting, finance and legal disciplines.

Medical & Science
We recruit and place medical professionals on a permanent or temporary basis in medical and science-related industries.

Contribution to Group revenues:

21%

Information Techonology:	10%
Engineering & Technical:	5%
Finance & Legal:	4%
Medical & Science:	2%

Our global footprint

Contribution to Group revenues

More than
34,000
full-time equivalent employees

100,000+
clients

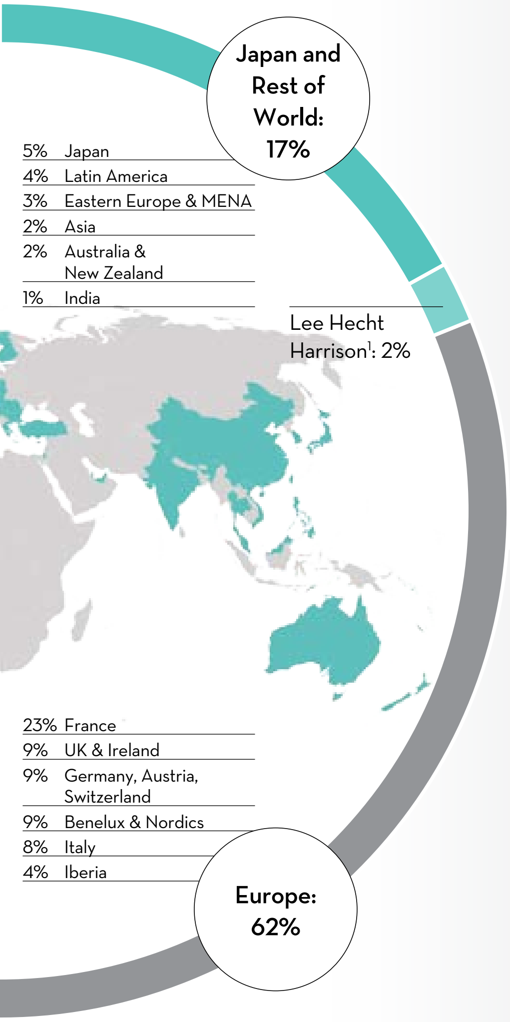
Our services

Temporary staffing
We supply associates to organisations on a temporary basis, providing flexibility to employers and new opportunities to candidates.

Permanent placement
We help employers to recruit talent for permanent roles, securing the skills needed for an organisation's ongoing success.

Career transition
We support organisations and their employees through changes that require individuals to transition out of their existing roles.

Outsourcing
We offer flexible HR solutions in which we staff and manage the whole of a labour-intensive activity, such as warehouse logistics, call centre operations, or IT support.



Over
700,000
associates on assignment daily

1 Lee Hecht Harrison is managed as a global business line.

Talent Development & Career Transition

LEE HECHT HARRISON

We offer services under the global brand Lee Hecht Harrison, providing solutions to large and small clients around the world.

Workforce Transformation

Lee Hecht Harrison is the world's leading career transition and talent development brand, helping individuals and organisations navigate workforce change.

Contribution to Group revenues:

2%

MSP & RPO

pontoon

We offer full HR outsourcing solutions, including MSP and RPO, through Pontoon, a global leader in contingent and permanent workforce acquisition and talent advisory solutions across all industries.

Managed Service Programmes (MSP)

Managed Service Programmes involve taking over part of the HR function within an organisation to manage all of its contingent and flexible workforce needs.

Recruitment Process Outsourcing (RPO)

Recruitment Process Outsourcing enables clients to outsource the entire permanent recruitment process to us to harness the full benefit of our expertise and experience in hiring large numbers of employees.

Contribution to Group revenues:

1%

Read more on pages 30-35

MSP & RPO

Managed Service Programmes

We manage all parts of the flexible workforce at organisations using a large number of contingent workers.

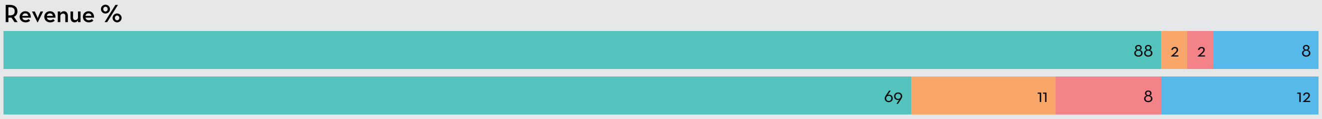
Recruitment Process Outsourcing

We handle the entire hiring process for organisations recruiting large numbers of permanent employees.

Talent development

We provide leadership coaching, career development programmes and change management support.

Revenue %



Gross profit %

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Higher value, lower costs, less capital will drive shareholder returns

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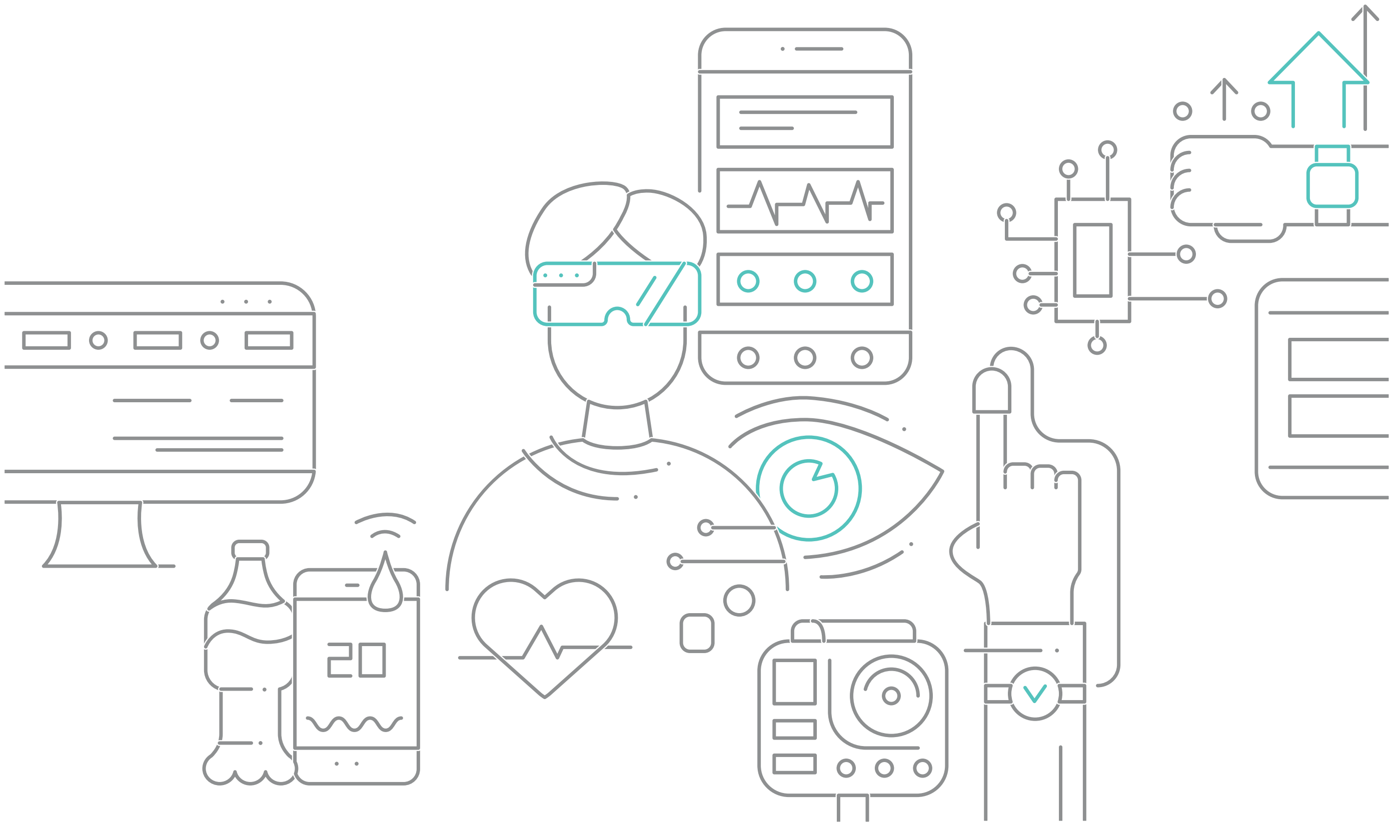
Making the future work for everyone



Leaders in the changing world of work

Rolf Dörig
Chair of the Board

Alain Dehaze
Chief Executive Officer

Dear Adecco Group shareholders,

The Group had another solid year in 2017, with a good financial performance and significant progress made against our strategic agenda. Organic revenue growth accelerated to 6%, as economic conditions in many of our end markets improved, and we held our EBITA margin excluding one-offs broadly stable at 4.9%. Cash flow generation also remained strong, and we ended the year with a robust balance sheet. All this was achieved while making significant investments in the new digital solutions and IT infrastructure that will transform our business and allow us to create more value for our clients, candidates, associates, colleagues and other stakeholders.

Leveraging opportunities in the changing world of work

The Adecco Group is the leader in the world of HR solutions. Every year we provide more than 3.5 million people with permanent and flexible employment opportunities, contributing positively to society, both for individuals and for communities.

The world of work and our industry are evolving, reshaped by megatrends that create both opportunities and challenges. We firmly believe that, by delivering our strategy, we will harness these changing industry dynamics to further strengthen our competitive position.

Demand for our services – whether flexible and permanent employment solutions, training and re-skilling, workforce transformation or outsourcing – will continue to grow. At the same time, digitisation, big data and analytics create opportunities to develop new business models, improve client engagement, enhance relationships and provide access to new customer segments.

As delivery models evolve, this will favour scale operators, such as the Adecco Group, increasing consolidation in what is currently a very fragmented market. With our strong brands, labour market knowledge, extensive data assets and over 100,000 multi-sector clients, we are well positioned to gain market share in our existing businesses, while also expanding into attractive adjacent markets.

At the Group's Capital Markets Day in September 2017, management shared some of the progress that has been going on behind the scenes since 2016, laying the foundations for future prosperity. We look forward to providing updates on our further progress in 2018 and beyond.

Perform, Transform and Innovate

The Group's strategic agenda is summarised in three words: Perform, Transform and Innovate. A simple formula that pervades everything we do as an organisation.

'Perform' means that we will keep delivering revenue growth, in the cost-disciplined, returns-focused way that we always have. It means achieving strong cash flow to underpin a progressive dividend and financial investment.

With 'Transform', we are strengthening our core business to differentiate our offering from that of our competitors, and to take profitable market share. Through our GrowTogether programme, we are leveraging technology to enhance client and candidate experience while, at the same time, reducing our cost-to-serve as we improve productivity.

'Innovate' describes how we will capture new growth opportunities in markets adjacent to our existing businesses; in doing so, capitalising on the megatrends. Our digital ventures, such as Adia and YOSS, co-created with Infosys and Microsoft, are examples of this focus on innovation. The acquisition of Vettery, in early 2018, will further strengthen the Innovate agenda, providing a platform to expand into the fast-growing digital professional permanent recruitment market.

Creating value for shareholders

The Adecco Group's businesses generate substantial free cash flow throughout the business cycle. Our clear capital allocation policy determines how we deploy that cash flow; whether reinvesting, at an attractive return on capital, or returning it to our shareholders.

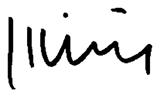
While we invest in the transformation of our business, we remain committed to a progressive dividend policy. As earnings grow, so will our dividend per share (DPS), within the bounds of a payout ratio of 40-50% of adjusted earnings per share (EPS). We also commit to holding our Swiss Franc DPS at least in line with the prior year, even if EPS temporarily declines and the payout ratio is exceeded. At the AGM on 19 April 2018, the Board will propose a dividend of CHF 2.50, an increase of 4% year on year and representing a payout ratio of 46% of 2017 adjusted EPS. Further to our annual dividend payments, at the end of each year we also review our financial position and return excess capital to shareholders. Consistent with this policy, for 2017, the Board will propose a share buyback of EUR 150 million.

Making the future work for everyone

We recognise that the Adecco Group has a responsibility which goes beyond our commitment to our shareholders. Our mission is to make the future work for everyone. From helping candidates find fulfilling work, and reshaping how clients obtain the requisite skills, to developing our own employees and advising policymakers globally, we are helping people to successfully navigate the changing world of work. That means offering and enabling greater flexibility while, at the same time, ensuring security for all in the labour market. From facilitating policy development to shifting social trends, we are at the table working to address the systemic challenges that affect us all.

With the new Adecco Group Foundation, we will be focusing on helping underserved people make the transition into the workforce, and supporting the role of employers to encourage workforce vitality.

We look forward to continuing this important work, and creating more shared value for all our stakeholders in 2018. We recognise and appreciate the contribution of our 34,000 employees, and we thank you, our shareholders, for your ongoing trust and support.



Rolf Dörig
Chair of the Board

Alain Dehaze
Chief Executive Officer

Delivering progress

2017 performance highlights

2017 has been a year of strategic transformation while we continued to deliver strong financial and non-financial performance for our stakeholders

Organic revenue growth

6%

Growth accelerated, driven by strong performances in most European markets

EBITA[1] margin excluding one-offs

4.9%

Continued performance, while investing for the future

Cash conversion[2]

80%

Strong underlying cash flow, reflecting revenue growth acceleration and working capital investment

Dividend per share[3]

CHF2.50

An increase of 4% year on year and representing a 46% payout ratio

IOC and IPC Athlete Career Programmes

7,000

Elite athletes supported in 2017

Win4Youth

49,814

Participants swam, ran and cycled for Win4Youth in 2017, accumulating more than 7 million km

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

2 Cash conversion is a non-US GAAP measure and is calculated as free cash flow before interest and tax paid divided by EBITA excluding one-offs. Free cash flow is a non-US GAAP measure and is calculated as cash flows from operating activities less capital expenditures.

3 For 2017, as proposed by the Board of Directors.

Gross margin

18.4%

Price and mix effects in temporary staffing not fully mitigated

Days Sales Outstanding

52 days

Continued focus to support cash generation

Share buyback programme

EUR 150 m

Returning excess capital to shareholders, in line with our capital allocation policy

Net debt to EBITDA[4] excluding one-offs

0.8x

Strong financial position, allowing return of excess capital to shareholders

Great Place to Work® ranking

2nd

Out of >6,000 participating multinational companies

Apprenticeships and internships

11,000+

Work-based training provided within our own operations and in co-operation with our clients

CEO for One Month

117,222

Candidates attracted, a testament to the programme's success in helping young people to transition into work

'Experience Work Day'

9,000

Young people from 46 countries participated

4 Net debt to EBITDA is a non US-GAAP measure and is calculated as net debt at period end divided by last 4 quarters EBITA excluding one-offs plus depreciation. 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.

Perform, Transform, Innovate

We look back on 2017 as a year of good performance and significant strategic progress. We accelerated our organic revenue growth and held our operating margin broadly steady, while at the same time making important investments to ensure the future prosperity of the Adecco Group. We continued to generate strong cash flow and made further significant capital returns to our shareholders. It was a year in which our strategic agenda of 'Perform, Transform and Innovate' came to life, with concepts first introduced in last year's Annual Report moving from planning phase to implementation phase. As our strategic programmes scale up through 2018 and 2019, we look forward to updating our stakeholders with details of their significant anticipated returns.

At our Capital Markets Day in September 2017, we laid out our vision for the future of our industry and for the Adecco Group. It is a future in which we expect continued growth in demand for our core services and an increasing sophistication in the way that we deliver those services. We have also identified attractive adjacent markets, in which we have begun to build positions; expanding our breadth of solutions by applying our core capabilities to new areas.

By capitalising on the megatrends that are shaping the world of work, we will create more value for our clients, help more people into work, and do so more efficiently than ever before. All this combining to generate leading total shareholder returns.

Alain Dehaze
Chief Executive Officer

Megatrends at work

During 2017, we expanded our study of the megatrends that are shaping the future world of work. These six key trends – geopolitical & economic uncertainty; the gig economy; skills imbalances; the new demographic mix; automation, AI & machine learning; and digitisation, big data & analytics – are already impacting the way we live and work today, and the Group's strategy is intended to capitalise on them. We explore the megatrends in more detail on pages 26-29 and below discuss some highlights of what they mean for the Adecco Group, and what we have achieved so far.

The trend towards greater flexibility of work is increasing. Employers recognise that in a rapidly changing world agility is key. Rigid models of workforce organisation are giving way to more fluid structures that emphasise having the right skills 'on-demand'. Meanwhile, individuals are seeking greater variety and autonomy in their careers, fuelling a surge in the freelancer population and growth of the 'gig economy'. At the same time, society needs to ensure that flexibility also comes with the security that all workers and businesses require.

These trends play to the core strengths of the Adecco Group, as an expert in flexible labour solutions. They also open up new opportunities. For example, during 2017, to expand our solutions for the gig economy, we launched YOSS, the first online marketplace built specifically for freelancers and larger enterprises. Co-created with Microsoft, YOSS will allow the Adecco Group to tap into the growing freelance economy, which is already approximately three times the size of the temporary staffing market. Leveraging our more than 50 years of experience in HR solutions, we have created a platform that is best in class for compliance with complex regulatory requirements, and that offers unique benefits to freelancers.

Talent scarcity is another clear outcome of the megatrends, as rapid technological progress and an ageing workforce combine to create substantial skills mismatches. These trends also create an urgent need to 're-skill' workers whose skills have become less relevant, with as many

The trend towards greater flexibility of work is increasing. Employers recognise that in a rapidly changing world agility is key.

Our investment story

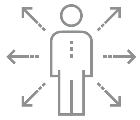
Global megatrends are changing the world of work

Employees will work when, where and how they wish, doing the work that matches their skills, interests and compensation needs.

Employers will employ workers to meet carefully defined needs, through a broad range of relationships across all skill levels.

The Adecco Group is taking the lead in this transformation

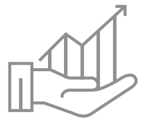
We are reshaping the world of work, reinventing ways of operating, and developing and acquiring new capabilities. We provide innovative solutions that enable employers to flexibly manage their workforces and employees to flexibly manage their careers, while safeguarding security for all in the labour market.



New employment models bring exciting growth opportunities

We are the leading global provider of HR solutions, yet we have less than a 2% share of the total addressable market for flexible and permanent HR solutions.

Strengthening and expanding our service offerings will allow us to grow revenues even if economic growth remains modest.



Higher value, lower costs, less capital will drive shareholder returns

By combining data, technology and talent, we increase our value to clients and candidates and strengthen our competitive position.

Digitising our processes reduces our cost-to-serve, and improves our capital efficiency. This will help us to expand our operating margin and generate strong cash flow.

as 375 million employees (14% of the global workforce) needing to switch roles by 2030.

The Adecco Group already helps more than 100,000 clients find hard-to-reach talent every year, and these services are likely to remain in high demand. At the same time, we believe there is also a tremendous opportunity to be part of the solution to skills shortages, helping prepare young people for the workforce (e.g. through the GAN apprenticeship programme and our own agency apprenticeship solution) and helping workers gain new skills as they progress through their careers.

Digitisation, big data and advances in artificial intelligence are also transforming the staffing and recruitment industry itself, presenting opportunities to both enhance our traditional services and create new value-added solutions. The Adecco Group is taking the lead, with a comprehensive upgrade of its infrastructure and the launch of a suite of digital platforms and solutions. For example, during 2017, the Group created Adia, a mobile-first, end-to-end platform for employers looking for temporary staff for short assignments. Adia brings the Group's services to clients that could not previously be well-served from a traditional branch-based solution, such as in the hospitality and events industry. Developed in partnership with Infosys, Adia illustrates how we are bringing together the best of the HR solutions industry with the best of the technology industry, to provide improved solutions for clients, candidates and associates.

Also during 2017, the Group entered into a partnership with Mya Systems, the creator of Mya, an AI-enabled chatbot that is being integrated into the Group's solutions to automate certain outreach, screening and communications with jobseekers, significantly boosting consultant productivity.

Based on the megatrends, and given our ability to respond and adapt to the changing landscape, the long-term outlook for our industry and the Adecco Group is positive. However, we must not be complacent. We will continue to actively transform our business to strengthen our leadership position. Our long-term strategy is thus formulated precisely to build on the progress made during 2017 and harness the opportunities of the future.

Leveraging our strengths

The Adecco Group is uniquely positioned to remain at the forefront in the new world of work, expanding its market share over time. While the HR-tech landscape is alive with companies with promising ideas, it is established HR solutions partners, such as the Adecco Group, that are most able to leverage new technologies for the benefit of clients and candidates. We have broad knowledge of complex labour regulations and customer needs in 60 markets globally. We also have extensive workforce data and deep enterprise client relationships. These are assets that new technology entrants struggle to replicate.

Further, while technology can make certain transactional parts of our services more efficient, our clients need end-to-end solutions, which only begin at the point of the transaction. Ultimately, our solutions are about organising and managing people and the human touch remains very important. Technology is an enabler rather than a substitute.

Our experience is that technology players do not want to manage people. In fact, they already come to us for this. Rapidly scaling workforces is a different challenge to scaling technology, and it is a core competency of the Adecco Group.

By integrating more technology and digital solutions into our offering we also believe that the Adecco Group will create meaningful differentiation versus traditional competitors. Despite being global #1 in HR solutions we have only 5% market share in staffing and permanent recruitment, and just 2% of the total addressable market for flexible employment solutions, due to a long tail of smaller local players. However, technology is raising the barriers to entry in our industry and increasing economies of scale, which should favour larger players. Smaller competitors are less able to invest in the cutting-edge tools required to evolve their solutions 'beyond the branch', and to develop the sophisticated omni-channel delivery models that our clients, candidates and associates expect. They also cannot leverage the local and global market insights that our international footprint, data and analytics capabilities bring.

Demonstrating our capacity to invest and partner with technology leaders, during 2017 we launched InFO, our integrated front-office solution, together with Salesforce and Talent Rover. This new front-office tool seamlessly integrates with new candidate and client portals, enhancing customer engagement and delivering a differentiated service. As a one-stop-shop solution for our consultants, InFO will deploy AI-driven availability management and placement mapping, and a fully integrated search and match capability, to improve speed and quality of service. It is a simple but powerful example of how our strengths are facilitating progress and driving our business forward.

Our competitive strengths

Knowledge of complex labour regulations	Trusted on compliance & data security
Full range of end-to-end HR solutions	Ability to manage large contingent workforces
Enterprise client relationships	Digital co-creation
GrowTogether to transform the core	Client proximity with global footprint
Rich workforce data assets	Strong brand portfolio

Perform, Transform, Innovate

Our strategic agenda of Perform, Transform, Innovate describes how we are turning the opportunities created by the megatrends into reality. First outlined in last year's Annual Report, the agenda is now in full swing. We have established programmes across the whole business to ensure that these three pillars are ingrained in everything we do and empower our teams to deliver results every day.

In **Perform**, we are committed to continuing to drive the business forward in the disciplined, returns-focused way that we always have. This means continuously searching for better ways to organise our resources, to improve productivity, and therefore deliver even greater value. We are institutionalising best-practice, focusing always on how results are delivered, not just the outcomes, to encourage long-term thinking.

A clear example of the Perform agenda in action is our approach to client segmentation. Small and medium-sized companies comprise almost 60% of GDP in our geographies, yet represent only 35% of Adecco Group revenues. We developed our segmentation strategy to address this imbalance and to capture our fair share of the small and medium part of the economy. And it has been highly effective, driving 9% constant currency revenue growth with small/medium clients in 2017, significantly ahead of Group growth. By the end of 2018, segmentation will be deployed in the majority of our large countries.

Our Perform agenda is also focused on improving parts of our business where we know we can deliver more positive results. This initiative drives improvement by identifying previously underperforming areas for special attention from senior management and our Global Practice Leaders. In 2018, we will focus on closing the 'growth gap' that we identified in certain key markets during 2017.

Transform describes how we are strengthening our core businesses, enhancing our client and candidate value proposition and driving differentiation to take profitable market share. Transform is also about giving our consultants the most advanced tools to help them place more candidates and associates into jobs more efficiently.

Our **GrowTogether** programme, launched in 2017, is at the centre of this transformation agenda. Based on a detailed analysis of our operations, including time-and-motion studies in hundreds of branches and interviews with thousands of clients and candidates, we are reimagining the delivery of our solutions for the digital age. The programme is described in further detail on pages 16-19.

In the last 12 months, we have made considerable progress with our Transform agenda and GrowTogether. In addition to our partnership with Mya Systems and the launch of our advanced front-office system, mentioned previously, we introduced new ways to engage with clients and candidates. For example, in France, we released 'Adecco & Moi', a mobile app that allows associates to seamlessly manage their assignments, removing the majority of manual processes and paperwork related to time-sheets, payroll and legal documentation. It is improving associate engagement while also reducing administration in our branches.

In the Netherlands and France, we ran successful pilots to establish a new, leaner branch model. These 'branches of the future' are fewer and larger, offering a more complete range of services to our clients, as well as encouraging collaboration between our teams.

Finally, **Innovate** is how we are capturing growth opportunities in 'new frontiers'; creating solutions and providing services that are complementary to our existing portfolio and where we can build real competitive advantage. We are capitalising on the megatrends and leveraging the potential of the digital revolution. Our Digital Ventures programme, explained in detail at our Capital Markets Day in September 2017, is fuelling the Innovate agenda. Over the past 12 months we have established a suite of digital platforms that offer online 'twins' to our offline businesses: Adia for staffing, Vettery for professional permanent recruitment and YOSS for freelancers.

Our approach combines co-creation with leading technology companies, such as Infosys and Microsoft, scaling-up existing internal projects and also value-enhancing buy-and-build acquisitions. We are establishing a track record of innovation to power success.

Skills imbalances pose a challenge for our clients and society at large. Thanks to our market-leading Lee Hecht Harrison business and its digital Active Placement solution, the Adecco Group is leading in the area of workforce transformation. We believe this is an important competitive differentiator in the HR market, as our clients look to improve their access to talent and skills, and to successfully navigate the process of workforce transformation.

More details about how these initiatives have contributed to our development this year are laid out in the Innovate section on pages 20-23.

Building strong brands

Our brand strategy is another key element of the Group's digital transformation, aligning with our strategic focus areas, which are described on pages 30-35. Specialised brands allow us to better connect with our target audiences, both clients and candidates. Historically we operated many local brands. As outlined in last year's report, we are in the process of streamling the brand portfolio to focus on fewer, bigger, stronger global brands, to maximise market impact and generate greater economies of scale.

Targeting specific skills and services, the aim of our model is to deliver a 360° range of services to clients, candidates and associates through each phase of the work lifecycle. This will help us to attract and nurture talent, adding more value for candidates and improving order fill rates, speed and quality for our clients. This in turn drives improved financial returns.

Keep driving cash flow while investing for the future

Invest in profitable growth

↓

Committed to investment – grade credit rating

↓

Maintain progressive dividend policy with payout of 40-50% and DPS at least in line with prior year

↓ ↓

Exploit buy-and-build M&A opportunities | Return excess cash to shareholders

Disciplined acquisition approach for creating value

Buy-and-build acquisition strategy means that with any acquisition...

1	2	3
We accelerate our strategic development, broadening and diversifying our offering	We are a 'better owner' of the business, achieving revenue and/or cost synergies with our existing activities	We create value for our shareholders, delivering positive EVA within 3 years

Investments with attractive returns

To realise the potential of our strategic agenda, we are making targeted investments, both organic and by means of buy-and-build M&A. The strong cash generation of our underlying businesses allows us to fund these investments while continuing to reward our shareholders with a progressive dividend, and also additional capital returns, when we have excess cash. Our capital allocation criteria (see page 9) and our commitment to maintain our dividend, even in a cyclical downturn, remain clear.

Strategic investments negatively impacted Group EBITA margin excluding restructuring costs by approximately 25 basis points in 2017, and will remain a drag on profitability during 2018. However, the anticipated returns on these investments are significant. GrowTogether is expected to deliver profitable market share gains and efficiency savings of EUR 250 million per annum by 2020. Digital Ventures will significantly expand our addressable market and add higher-margin new revenue streams.

We are committed to accelerating our structural organic revenue growth, driving sustained EBITA margin improvement and continued strong cash flow, to deliver leading total shareholder returns.

A future that works for everyone

Regardless of how much the world changes, technology advances and businesses evolve, at the Adecco Group we are mindful that we remain, at our core, a people business. We believe that most jobs, irrespective of how they may alter through technological enhancement, will continue to rely in some part on human touch. As society increasingly embraces artificial intelligence and new technologies, our humanity and emotional intelligence continue to set us apart from automation and robots. Human characteristics such as empathy, passion, purpose, creativity or agility are becoming even more crucial.

A focus on people and human interaction is at the centre of our business and at the core of our strategic focus. And it has real results and can change people's lives. For example, in Rutland, USA, when a large aviation company saw a significant proportion of its skilled workforce retiring, Adecco partnered with them to offer a retraining and up-skilling course for unskilled workers in the manufacturing industry. Candidates gained the skills required to embrace a life-changing employment opportunity, while our client solved its talent shortages. In this way, our Group not only drives positive economic returns, but contributes to regenerating communities and touching lives.

We aim to lead by example and also consider it our responsibility to the global community to be at the forefront of discussion and debate about the challenges facing the world of work. We contribute to and help drive the agenda in international fora like the World Employment Confederation, the International Labour Organization, the OECD, the International Organisation of Employers and the G20-B20. We also engage and work with a wide range of institutions at global and local level, such as the Global Apprenticeship Network, BusinessEurope, ITUC, Harvard University, ICRC and the World Economic Forum. Through these engagements, we raise awareness and draw attention to trends we perceive as critical for all, including social innovation, regulatory frameworks that support diverse forms of work, and the balance between flexibility and security. By working together with international and national institutions to shape and guide policies and standards, we help expand opportunities for all employees and grow the prosperity of society as a whole.

Our commitments to deliver leading total shareholder return

Deliver leading total shareholder return

1	2	3
Drive revenue growth	Strengthen margin	Deliver strong cash flow
Our commitments		
Accelerate structural organic revenue growth	Drive sustained EBITA margin improvement	Maintain a progressive dividend policy
By 2020		
Increase GDP multiplier (from 3x to 4x)	EUR 250m p.a. productivity savings (100 bps as % of revenues)	Achieve continued strong FCF after investments

Re-skilling and up-skilling, building diversity through inclusion, integrating flexibility and adaptability into organisations, and ensuring ‘flexicurity’ for all in a changing world of work are themes that we will be emphasising and developing throughout 2018. We will concentrate on these topics in our thought leadership agenda, and strive to build awareness, facilitate policy change and establish standards for the future. These principles not only make sense for the wider society, but are good for business as well, and will have a direct impact on productivity, competitiveness and profitability in the long run.

Looking forward

In the coming 12 months, and beyond, the Adecco Group will remain focused on its strategic agenda of Perform, Transform, Innovate. By delivering on this strategy, we will create more value for all of our stakeholders.

Our commitment to our shareholders is to drive accelerated revenue growth, strengthen our EBITA margin and deliver continued strong cash flow in the coming years. In 2018, we will deliver the first EUR 50 million of productivity savings from the GrowTogether programme, on track to achieve EUR 250 million per annum by 2020. We also anticipate a year of strong progress in our ‘new frontier’ businesses.

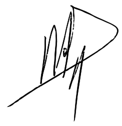
Our commitment to our customers, candidates and associates is to help them navigate, adapt and succeed in the changing world of work.

Our commitment to our colleagues is to build an open and inclusive working environment where trust and reward go hand in hand with hard work and achievement.

These commitments will allow us to maintain and improve our competitiveness and remain one step ahead of our competitors. And we are confident this will translate into positive returns for our shareholders.

Promoting social cohesion and making a positive difference through our work is vital to our business. After all, we work with, and for, people, helping them to fulfil their potential, and thus creating social value.

We begin 2018 better able to grow revenues, profit and cash flow, thanks to the strong foundations that we laid during 2017. There remains much work to be done to realise the potential of our Perform, Transform, Innovate agenda. But we strongly believe that the improvements we are making to our business will strengthen our position as the leading global HR solutions partner and help us to make the future work for everyone.



Alain Dehaze
Chief Executive Officer

How the Adecco Group will make the future work for everyone

Perform

The first step in our strategic agenda is 'Perform'. This is about doing what we do better than anyone else, and acting with urgency to improve the areas of our global business that have yet to reach their potential. It will ensure we continue to deliver the performance necessary to lead and shape our industry for many years to come. Chief Executive Officer Alain Dehaze explains how 'Perform' will lay the foundation for the successful implementation of our strategy.

Q. What core principles underpin the Perform agenda?

AD. The world of work is changing rapidly and, as the market leader, we are committed to strengthening our position and capitalising on the opportunities for growth that this exciting environment offers. 'Perform' is the engine behind that plan. It means delivering sustainable growth in the cost-disciplined and returns-focused way that we always have. It's about evolving as well as delivering: taking a forensic look at where we can improve performance, year after year. 'Perform' then allows us to finance the transformation and the innovation we want to put to work in the years ahead.

It is vital during this phase of transformation that we do not lose focus on safeguarding and enhancing our performance. Our industry is highly competitive and there is gross margin pressure in some segments, so we also have to constantly be looking to improve our efficiency. We're breaking down the averages and highlighting the specific areas and opportunities where we know we can go one better across the organisation. Key to this is also driving out underperformance wherever it exists, and turning those areas around. To that end, we have identified areas of our business that are not achieving our expected level of performance, in order to help them improve.

Delivering the 'Perform' pillar of our strategy will generate the strong cash flow required to fund our progressive dividend and the investments we are making in the existing business and in new horizons. In short, 'Perform' unlocks the door to the 'Transform' and 'Innovate' pillars of our strategic agenda.

Q. What steps have been taken to drive performance?

AD. Firstly, we've been taking a very close look at the segmentation of the industry to see where we can capture market share and where we have the greatest potential for growth. We know, for example, that small and medium-sized enterprises represent 60% of the economy in our geographies but only 35% of Adecco Group sales. That's something we can obviously improve on. We have the expertise, services and tools to really deliver for these kinds of clients, so we're working hard to increase our base of small and medium clients. We're already making encouraging progress, with 9% growth in 2017, in constant currency.

On the other hand, we are seeing a different kind of demand from larger customers who are increasingly looking for the onsite delivery of HR solutions. We achieved 28% growth, in constant currency, in this business in 2017 and, importantly, it's creating stronger client relationships at a lower cost-to-serve for us.

Secondly, I think the introduction in 2016 of our 'watchlist' of challenging areas of the business has really helped to focus both our minds and our efforts to eliminate underperformance and deliver the results we expect. Australia is a good example: after many years of lagging behind, we returned to profitability in that territory in the first half of 2017.

Third, we're striving to improve our business mix across the Group, especially in emerging markets. Returns in those territories have not met our expectations, and there is huge potential for improvement and growth.

And finally, our incentive system is robust and is structured to encourage our teams to really go the extra mile. Targets and bonuses are based on a formula of sales growth, EBITA and DSO. Everyone in the Adecco Group understands the importance of delivering on all three.

> "Delivering the 'Perform' pillar of our strategy will generate the strong cash flow required to fund our progressive dividend and the investments we are making in the existing business and in new horizons."

Alain Dehaze
Chief Executive Officer

Q. Does the Perform agenda focus solely on financial performance?

AD. 'Perform' is intended to create and embed a culture of outperformance across the organisation. A big part of that is financial, of course, but our ambition is much wider than that. It is about how we deliver results, not just the outcome: the journey, not just the destination. We're building a truly sustainable business. So we want to see sales intensity, the sharing of best practice, teamwork, and a razor-sharp focus on service. In the end, we optimise value for our shareholders when we create the most value for our customers.

Q. How does the Group look to balance cash conversion and investing in key strategic initiatives?

AD. We have made a key financial commitment to deliver strong cash flow. Our business remains highly cash generative and, on average, we achieve an operating cash conversion of more than 90%. We therefore generate sufficient free cash flow to support our investments, as well as our progressive dividend policy.

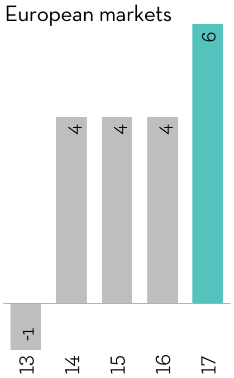
2017 performance highlights

"Perform is intended to create and embed a culture of outperformance across the organisation. A big part of that is financial, of course, but our ambition is much wider than that. It is about how we deliver results, not just the outcome: the journey, not just the destination."

Organic revenue growth

6%

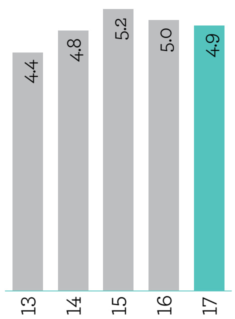
Growth accelerated, driven by strong performances in most European markets



EBITA margin excluding one-offs

4.9%

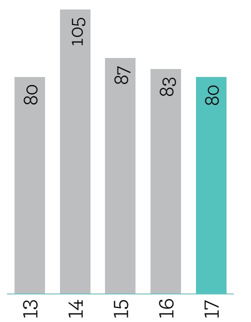
Continued performance, while investing for the future



Cash conversion

80%

Strong underlying cash flow, reflecting revenue growth acceleration and working capital investment



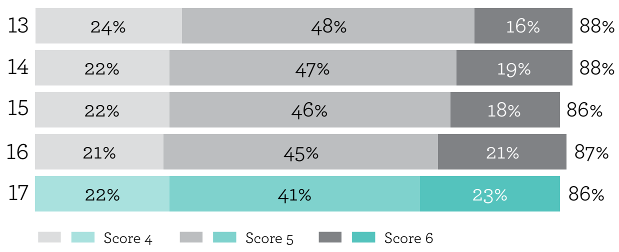
Our investment strategy is based on strict criteria with a focus on value realisation, and a culture of keeping track of progress and returns on those investments. This is all based on a clear capital allocation policy. We prioritise profitable organic growth, maintaining an investment-grade credit rating and our progressive dividend policy. We also look to exploit attractive buy-and-build merger and acquisition opportunities as and when they arise. Absent M&A we return any excess cash to shareholders.

Q. How does the Perform agenda influence the Transform and Innovate agendas?

AD. 'Perform' empowers us to finance and deliver the 'Transform' and 'Innovate' agendas of our strategy. How does it do this? In two ways: cash and credibility. By generating cash flow, 'Perform' enables investment in our transformation programme and in innovation such as Digital Ventures. It also builds credibility; only by performing can we truly retain the trust and support of our shareholders. That trust and support is crucial for us as we transform our business.

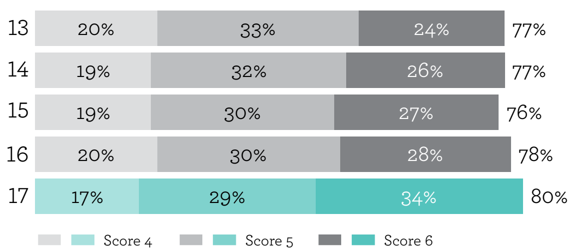
The great strength in our strategy is that 'Transform' and 'Innovate' also feed back into 'Perform'. They guarantee that we will continue to deliver industry-leading performance long into the future as the world of work continues to evolve.

Share of satisfied clients (%)



Note: Share (%) of respondents by category on a scale of 1 (very dissatisfied) to 6 (very satisfied), answering the question "Overall, how satisfied are you with [Adecco]?"

Share of satisfied associates (%)

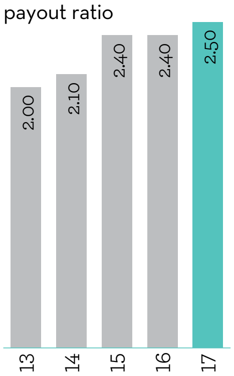


Note: Share (%) of respondents by category on a scale of 1 (very dissatisfied) to 6 (very satisfied), answering the question "Overall, how satisfied are you with [Adecco]?"

Dividend per share[1]

CHF2.50

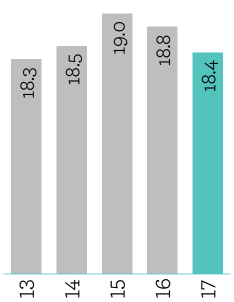
An increase of 4% year on year and representing a 46% payout ratio



Gross margin

18.4%

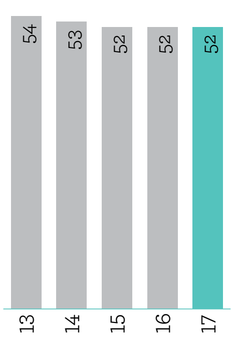
Price and mix effects in temporary staffing not fully mitigated



Days Sales Outstanding

52 days

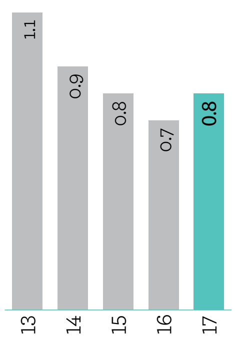
Continued focus to support cash generation



Net debt to EBITDA excluding one-offs

0.8x

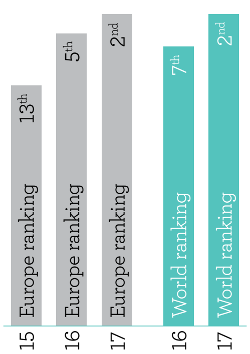
Strong financial position, allowing return of excess capital to shareholders



Great Place to Work® ranking

2nd

Out of >6,000 participating multinational companies



1 For 2017, as proposed by the Board of Directors.

Transform

The second part of our strategic agenda is 'Transform'. It is our plan to strengthen what we do in every aspect of the world of work, enhancing client and candidate experience, and being more productive and efficient. To deliver this crucial pillar successfully across our brands and territories, we have created a programme called GrowTogether, managed by a core team of change management experts. Chief Financial Officer Hans Ploos van Amstel provides a detailed insight into our plans for 'Transform' and GrowTogether.

GrowTogether

Objective

- Strengthen the core of our business

Goal

- Accelerate profitable growth
- Improve client & candidate experience
- Enhance productivity through omni-channel

Measure of success

- Market share
- Client & candidate Net Promoter Score
- Cost-to-serve

> "At the heart of 'Transform' is a reimagining of the client and candidate experience."
>
> **Hans Ploos van Amstel**
> Chief Financial Officer

Q. Why is it a priority to implement the Transform agenda?

HPA. This is a time of change in the world of work, and our industry. New ways of working and new technologies are reshaping labour markets. We see these changes as a huge opportunity to evolve our business as well, so that we can shape the future of work. Not only is that something our clients and candidates expect and demand of us, it is also driven by the scope for better services and cost efficiency that new technology offers.

'Transform' means becoming more effective and efficient, thanks to digitalisation and automation. We see the opportunity to grow and take market share and to reduce our cost-to-serve. By making the right investments today in the transformation of our business, we will strengthen our competitive position and set ourselves further apart from our peers.

At the heart of 'Transform' is a reimagining of the client and candidate experience. That means giving customers the tools and services to help them thrive in the digital era. Of course, the human touch is still fundamental to the Adecco Group, and to our industry, so physical branches must play a central role, but we're broadening how we serve our customers so that they can also interact with us and manage their careers or workforce needs directly online and via mobile applications. We see technology and innovation very much as an enabler to improve and enhance that face-to-face service, rather than a substitute.

Q. Describe the objectives and principles of GrowTogether

HPA. GrowTogether is designed to accelerate the transformation of our business and to capitalise on megatrends that can help us grow and build closer, stronger relationships with our customers. It is strengthening our core business, and it's driving differentiation so that we stand out from and above our competitors in order to take profitable market share. It actually started out as a cost efficiency programme, as a way to take our renowned cost leadership to the next level. But as we took an in-depth look across our business, including studies of activity in 400 branches and interviews with thousands of customers, we realised there was the potential to do something special – to save on cost while also improving service quality.

With GrowTogether, we are focusing on the following key areas: creating an omni-channel footprint, enhancing client and candidate experience, and improving our process landscape, such as back and middle-office functions. This programme will deliver EUR 250 million in productivity savings by 2020. We began in 2017 and we are now scaling up in 2018 to deliver the first EUR 50 million in savings.

So we're already optimising our processes and our delivery models, and we're empowering our consultants with the best tools available. Take artificial intelligence, for example. We will use AI-enabled candidate sourcing and matching tools in a new front-office IT system, which accelerates what can be a really time consuming task, while also leading to better candidate matches. We're also embracing digital and mobile innovation with new apps and portals, so you can contact us at the touch of a button and also manage your career needs or talent requirements on the go.

"This year, we will roll out GrowTogether more widely, launching new pilots and scaling the programme out across our business."

Q. What will your branch network and headcount look like in the future?

HPA. The traditional idea of a branch network applies less to the new world of work, or to the needs of our candidates and clients. We are evolving the way we deliver our core services from a purely branch-based system to an omni-channel delivery. Of course, that local visibility and presence is still vital, especially for smaller customers, but we're moving to fewer, big branches. These branches will act as hubs for higher-value interactions with clients and candidates, such as onboarding, careers advice, CV workshops and training. We are automating and centralising many of the administrative tasks that used to be handled in local branches, so we are able to increase the ratio of consultant headcount to support staff. We will have more colleagues in client facing roles and they will be empowered by the best technology. The Adecco Group is built on the human touch, after all, and the attitude and passion of our teams will continue to set us apart from the rest.

Q. What have been the key learnings and outcomes of GrowTogether to date?

HPA. In 2017, GrowTogether was launched in three pilot countries – France, the Netherlands and Germany. These pilots have been a great success, and full of learning that we can put into action on a bigger scale. We have already seen productivity improvements and higher NPS in those pilot areas, which is encouraging.

This year, we will roll out GrowTogether more widely, launching new pilots and scaling the programme out across our business. We're taking our time to make sure we get it right. It's crucial that we don't just give our consultants the right tools for their jobs; we need to inspire and help them reinvent their work processes. Of course, we can improve productivity by a few percentage points with better tools, but the real step change comes from optimising each aspect of how we do our work.

France

Bold moves in our biggest market.

The focus in France in 2017 was on enabling our teams to capture new market opportunities thanks to talent, innovation and disruption.

2017 Achievements

- Piloting new urban and rural workplace models to sharpen focus on our core business. Simultaneously allowing for the development of specialised client solutions and sustaining strong productivity
- Award-winning AI-technology launched for our associates (Adecco & Moi), candidates (Aloha) and clients (Mon Agence en Ligne)


From left to right: Stephan Howeg, Chief Marketing and Communications Officer; Rob James, Chief Information Officer; Hans Ploos van Amstel, Chief Financial Officer; Christophe Catoir, Regional Head of France

Q. How does GrowTogether and the Transform agenda relate to Innovation?

HPA. Without a doubt, GrowTogether is the most important driver as we seek to strengthen our performance over the next three to five years. It is fundamental to our efforts to transform our business. GrowTogether and 'Innovate' go hand in hand. We are embracing innovation as a major part of our transformation. In fact, some of the tools we are using to improve productivity and our client and candidate experiences started out as ideas in Adecco Group X, our digital incubator. By driving better performance and transforming our business, GrowTogether will help us to become the most innovative HR solutions partner in the world.

> "GrowTogether is the most important driver as we seek to strengthen our performance over the next three to five years."

Germany

Supporting change in the business landscape.

In 2017, the German transformation team focused on middle-office productivity, and supporting the preparations for brand consolidation and the merger of Tuja and Adecco.

2017 Achievements

- Significant work on consolidation and productivity increase in our middle-office activity
- Implementation of a one-roof branch hub model
- Launch of the JOYN initiative to drive post-merger integration and join our talents in the General Staffing field

Netherlands

The GrowTogether pioneer.

As our first mover, the Netherlands was a pioneer in pushing forward the transformation agenda.

In 2017 the Dutch GrowTogether team implemented changes to their field organisation, created specialised roles for consultants and enhanced their candidate experience with new online portals.

2017 Achievements

- Candidate portal implemented
- New branch/hub model piloted
- Specialised job profiles created, to improve client focus

USA & UK

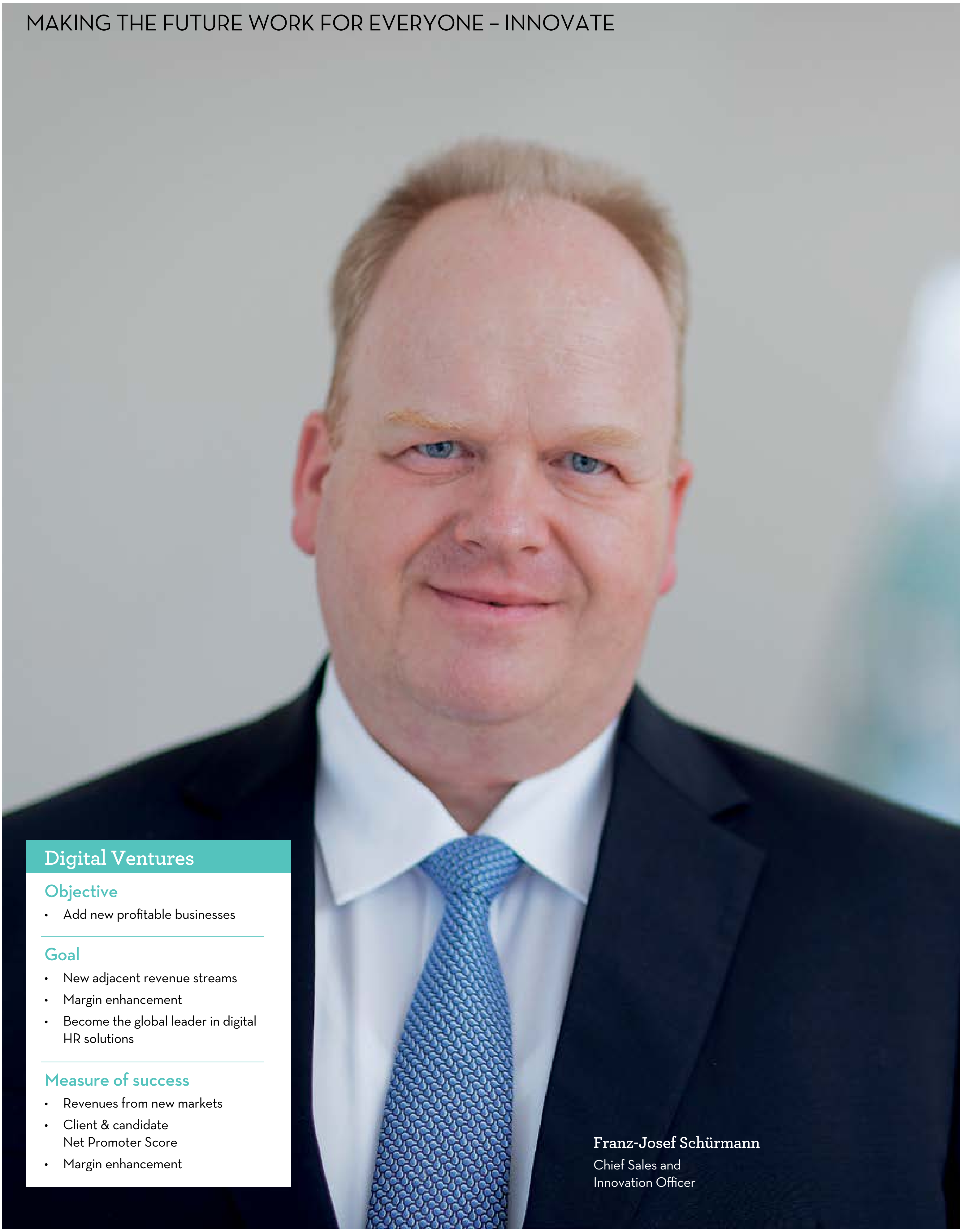
Off to a strong start.

As the last region to join GrowTogether in 2017, the USA and UK team focused on leading technology and administrative productivity.

Teams worked together to deliver the smooth implementation of new processes and standards to critical business operations.

2017 Achievements

- Successful rollout of leading AI-based chatbot technology in our candidate management processes
- Early rollout of a new front-office and applicant tracking system to drive effectiveness and efficiency
- Further deployment of Lean Management in our middle-office locations



Digital Ventures

Objective

- Add new profitable businesses

Goal

- New adjacent revenue streams
- Margin enhancement
- Become the global leader in digital HR solutions

Measure of success

- Revenues from new markets
- Client & candidate Net Promoter Score
- Margin enhancement

Franz-Josef Schürmann
Chief Sales and
Innovation Officer

Innovate

The third and final stage in our strategic agenda is 'Innovate'. We are empowering our entire business and team to think creatively and to reimagine the world of work. To do this, we are growing the scope of our offer by investing in digital ventures that take advantage of technological innovation, open up new markets, and cater to the changing needs of our clients and candidates. Chief Sales and Innovation Officer Franz-Josef Schürmann talks us through this exciting programme of innovation and new ideas.

Q. What are the core principles of the Innovate agenda?

FJS. Innovation is opening up a whole new range of possibilities for the world of work. It's vital that we are at the forefront of this new wave so that we can give our candidates and clients the support they need to navigate their way to success.

Our 'Innovate' agenda means creating differentiation and competitive advantage, thanks to talent and technology, because only innovation can guarantee sustainable development.

We want to be the digital leader in our industry, but also its disruptor: combining the expertise and experience of a large company with the energy and ideas of a start-up. Led by our digital incubator, Adecco Group X, we are searching the HR technology landscape to find, build and invest in the most promising tools and emerging business models. Through our Digital Ventures programme we then bring these tools and businesses to life at the Adecco Group.

Digital Ventures take three forms. Firstly, we are deploying tools that enhance productivity and improve customer experience. Secondly, we have created online 'twins' that mirror our offline models. Thirdly, we're building solutions to capture new revenue growth opportunities in adjacent markets. Co-creation and partnership are at the heart of the strategy and we are working with leaders in technology to combine our knowledge and reach. And we're encouraging the ideas of our own people, with Adia and YOSS as market-changing examples of the power of investing in home-grown talent.

The Adecco Group is best placed to capitalise on this age of innovation. We have the domain expertise, the data, and the ability to distribute across a wide network and to more than 100,000 clients. Becoming more digital is the logical step for a global HR solutions partner with a deep understanding of labour markets and how they function. It's also our responsibility, as a trusted business partner, to both lead and guide our customers through this rapidly developing world.

> "Our customers need tools and services that help them thrive in the digital era."

Q. How will Digital Ventures drive profitability for the Group as a whole?

FJS. Digital Ventures will support Group profitability in two key ways. Firstly, by giving our consultants the best tools available, for example, using artificial intelligence to improve job search and match capabilities, we can significantly raise productivity.

Secondly, through our 'digital twins' and new models we are building pioneering, global and differentiated customer products with very strong value propositions. We have showcased solutions that mirror our existing physical services, with our Adia 'recruitment on demand' service a good example. But we also want to break new ground with innovative products such as YOSS, our freelancer platform, which will fuel the gig economy and harness the immense potential for growth in that market.

All of our digital ventures are expected to be accretive to the Group margin. Just as Lee Hecht Harrison enhances that margin, we will build digital businesses of sufficient scale to have a meaningful impact to the Group.

To finance these ventures, we are making an upfront margin investment of about 25 basis points in 2018 and 2019, with an expected return on that investment from 2020, as the ventures achieve maturity and scale.

Q. What have been the key developments for Adecco Group X and the Digital Ventures in 2017?

FJS. 2017 has been a landmark and action-packed year for our digital programme. We launched our Adia online temp staffing business in Switzerland in May, and it was up and running in the UK by the end of the year. Adia is an example of the way digital innovation can open up fresh pockets of growth for us because we now have access to parts of the market – for example hospitality and events, and the small client segment – in which we were not very active previously.

Our ground-breaking YOSS freelancer marketplace went live in France with a minimum viable product (MVP) in late November and we have high hopes for it to become a market-leading service in the freelance economy.

Throughout these projects, we have adopted an open-minded, co-creation philosophy, combining the best of the worlds of HR and technology to create greater value for our customers. For example, we have worked with top IT companies such as Microsoft for YOSS and Infosys for Adia, as well as HR tech start-ups like Mya.

Adrian P. Hofer
Global Head of Digital Operations

> "Digital Ventures take three forms. Firstly, we are deploying tools that enhance productivity and improve customer experience. Secondly, we have created online 'twins' that mirror our offline models. Thirdly, we're building solutions to capture new revenue growth opportunities in adjacent markets. Co-creation and partnership are at the heart of the strategy and we are working with leaders in technology to combine our knowledge and reach."

Digital ventures

Adia

Adia is revolutionising temporary work through an easy-to-use app that any jobseeker or business can download. For people seeking temporary work in hospitality, catering, events or promotions, Adia delivers the ultimate experience of flexibility and convenience. They can sign up and get matched to jobs instantly, work when they want and get paid quickly. Businesses can post job offers and get applications instantly, view workers' skills and ratings, hire staff, plan shifts, issue contracts and approve timesheets all from a single platform. Co-created with Infosys, Adia is leveraging technology to fix the inefficiencies in the world of work, changing the way people earn a living and how businesses cope with fluctuating demand.

Adia

Marcus Sawyerr
Adecco Group X President

Q. How will Adecco Group X help shape the future of work?

FJS. For Adecco Group X, the emphasis is on looking for trends and opportunities that we can turn into innovative services that benefit our growing base of candidates and clients.

Labour markets are changing, and more people and companies are looking for greater flexibility and control in the way they work, so we are investing in tools such as YOSS and Adia that bring that to life.

The Adecco Group has unrivalled sources of data about labour markets across the world. This resource can be turned into valuable insights for our clients. With Adecco Analytics, we're already making that happen.

And more of us are changing roles or even industries several times throughout our careers. The Adecco Group is helping to make those transitions easier and more successful by investing in training and re-skilling, and through existing career services such as Lee Hecht Harrison Active Placement.

By embracing innovation, we really are making the future work for everyone.

YOSS

Freelancers are the heartbeat of the future of work. With YOSS, the Adecco Group is in a unique position to connect the millions of people attracted to this type of work with the thousands of corporations that are looking for more flexible and innovative ways to get work done. YOSS' ambition is to help freelancers, contractors and consultants find interesting projects at enterprise clients while supporting their day-to-day business management and offering access to benefits traditionally associated with permanent employment, such as insurance and timely payments. Simultaneously, YOSS makes it quick, simple, and cost-effective to find, hire, work with, monitor, and pay freelance workers. YOSS is more than just a job marketplace. Co-created with Microsoft, it is a robust end-to-end solution that gives both enterprises and freelancers the right tools and services to maximise productivity, manage their projects and talents, and harness the benefits of more flexible ways of working.

Vettery

Vettery is a rapidly growing success story in professional permanent recruitment in the North American market, with clients ranging from start-up companies to household names. Vettery uses machine-learning algorithms to attract in-demand talent and to connect the best candidates to its clients. This exciting technology is proven to reduce time-to-hire and to improve the quality of matches. Vettery serves more than 4,000 clients in seven major metropolitan areas across the US, specialising in IT, sales and finance recruitment. The Adecco Group recognises the opportunity to harness innovative technologies to build scale and drive the consolidation of the market. We plan to expand Vettery into more North American metropolitan areas, and launch the digital marketplace in London as its first international market in 2018.

Delivering value in the world of work

Market context

Trends impacting our business

- Geopolitical & economic uncertainty
- Gig economy
- Skill imbalances
- New demographic mix
- Automation, AI & machine learning
- Digitisation, big data & analytics

Inputs

Our critical assets

Talent
Finding and attracting skilled and motivated people; inspiring them to grow with us and our clients, by providing meaningful employment and lifelong development.

Relationships
Building enduring, collaborative and mutually beneficial relationships, with candidates, clients, governments and social partners.

Innovation
Developing new digital solutions to build competitive advantage and enhance our future prospects.

Infrastructure
Maintaining a network of branches, back offices and IT infrastructure to effectively serve our candidates, associates and clients.

Financial
Generating strong cash flow and maintaining a strong balance sheet to support the growth of our business.

Strategic agenda

- Perform
- Transform
- Innovate

Strategic focus areas

Workforce Solutions

Professional Staffing & Solutions
- Executive Recruitment
- Professional Recruitment
- Professional Staffing & Solutions
- Freelancer Marketplace

Talent Development & Career Transition

MSP & RPO

Services and solutions
- Temporary staffing
- Permanent placement
- Career transition

Underpinned by our people, values and culture

Customer focus

Passion

We combine differentiated solutions, a clear vision and strategy, and focused execution, to deliver long-term sustainable value for all our stakeholders

Our brands

Adecco
Adia

Badenoch & Clark
Spring Professional
modis
YOSS

LEE HECHT HARRISON

pontoon

- Outsourcing
- MSP & RPO
- Talent Development

Performance management

Our KPIs and targets

- Revenue growth
- Gross margin
- Conversion ratio
- EBITA margin
- DSO
- Great Place To Work®
- Net Promoter Score

Read more on page 36

Entrepreneurship
Responsibility
Team spirit

Read more on page 42

Value created...

€374m
dividends paid

€150m
share buyback announced

2nd rank
in World's Best Multinational Workplaces Great Place to Work®

>700,000
associates working each day

~110,000
permanent placements

86%
client global satisfaction score

€258m
income taxes paid

71/100
2016 EcoVadis Gold rating

...and shared

Investors

We benefit from attractive industry dynamics; by managing our capital with care, we are able to grow our profits, cash flow and returns. This supports our progressive dividend policy and our aim of delivering attractive total returns for our investors.

Employees

We provide rewarding employment for our colleagues. We enable them to achieve their career goals, supported by our continuous investment in training programmes through the Adecco Academy and in co-operation with renowned institutions INSEAD and IMD.

Candidates and Associates

Our expertise, tools and network connect people with job opportunities, providing them with purposeful work in a safe environment. We advise people on their careers, and help them develop their talents with training and lifelong learning.

Clients

As a trusted advisor on total talent solutions, we help clients to structure and manage their workforce for flexibility, productivity and growth. We work with and for our clients to find, hire, develop and transition people according to their needs.

Suppliers

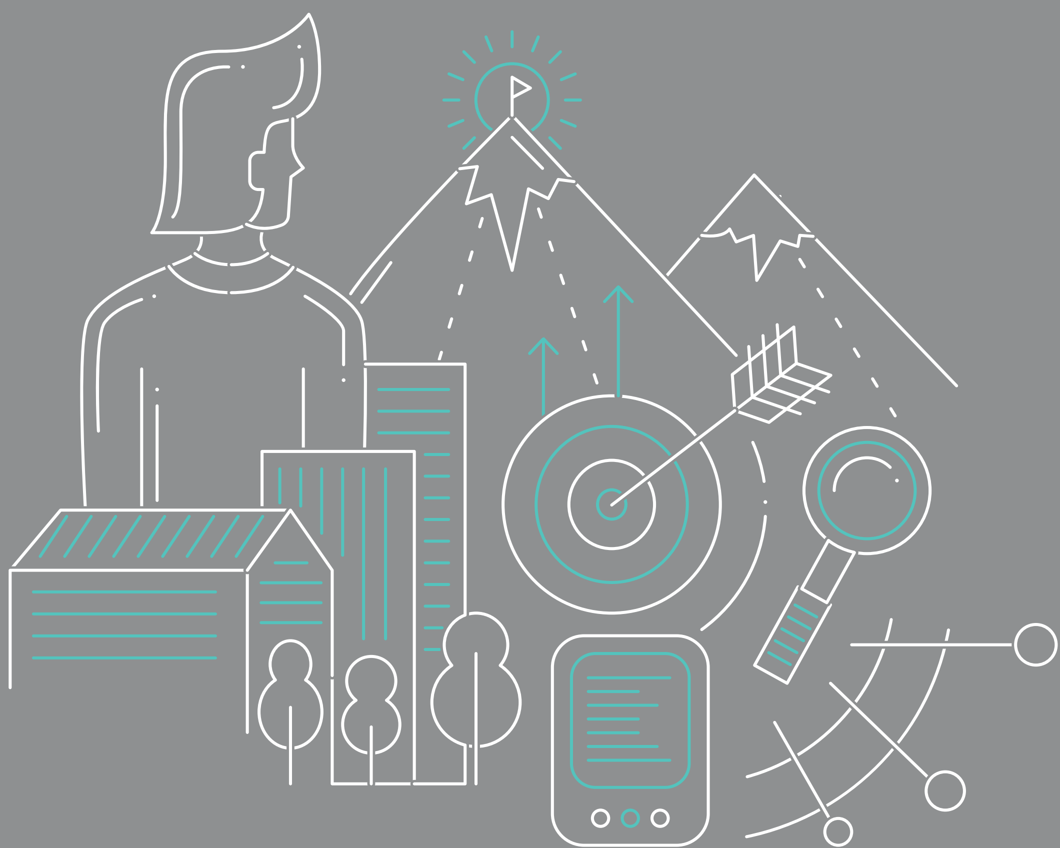
We build strong partnerships of mutual trust with our suppliers, many of whom are also our clients.

Governments and Social Partners

We are trusted advisors and active enablers, sharing our labour market insights and experience to support and shape sustainable and responsible growth and job creation.

Six megatrends shaping the world of work

The world of work is changing. Rigid workforce structures are being replaced with more flexible arrangements, better reflecting the needs of employers and individuals. Technology is substituting some tasks, changing the nature of many jobs, while creating others. Shifting skills requirements and demographics are causing talent scarcity. The Adecco Group stands as a trusted partner, helping our stakeholders manage these changes, in order to make the future work for everyone.



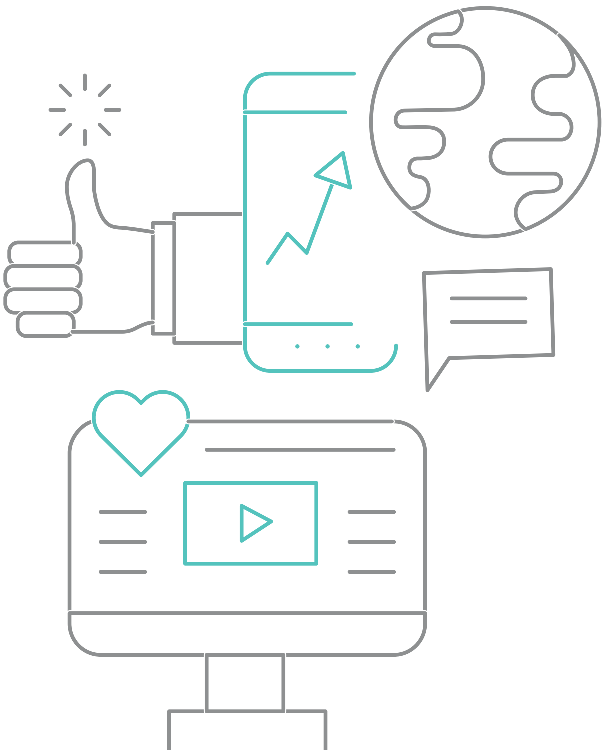
Geopolitical & economic uncertainty

Organisations recognise that flexibility and agility are the key to prospering in an uncertain and fast-changing world. Having the right skills 'on-demand' is becoming the new normal.

Labour market dynamics are heavily impacted by political and economic developments. Political discussions on topics like globalisation, economic openness and social rights can profoundly impact the environment that the Adecco Group and our clients operate in. The workforce an organisation requires today may not be the same as in a few years' time. Businesses therefore value agility and flexibility more and more, to stay ahead in a rapidly changing world. Flexible talent solutions are becoming an important source of competitive advantage. Many of our most successful clients adopt as much as 50% flexibility within their workforce.

The Adecco Group is an expert in both advising on and providing flexible HR solutions, whether temporary staffing, freelance or full workforce outsourcing. We provide access to the right talent when it is needed and, with Pontoon, even run parts of our clients' HR teams.

With the shift towards omni-channel delivery models, and with our digital marketplaces such as Adia and Vettery, we are making it easier for even more clients to access our solutions.



The 'gig' economy

People are choosing to work 'gigs' – performing shorter tasks or services – instead of traditional full-time jobs. Online platforms are helping to efficiently match supply and demand.

The rise of the gig economy is redefining the concept of employment. Individuals from across the skills spectrum are choosing to work a portfolio of jobs, or gigs, in place of traditional full-time roles, working at times and in ways that fit their lifestyles. Professionals are working as freelancers, or on shorter-term projects, to gain exposure to a wide variety of assignments and workplaces, thus accelerating their careers.

The number of people choosing to work freelance or as temps has been steadily increasing. In the US, 30% of the workforce earns some or all of their income from the gig economy.

The flipside of this flexibility for workers and companies is that society needs to update its social protection systems to fit the demands of a changing world. We need to guarantee 'flexicurity' for everyone in the workforce.

The Adecco Group has been providing workers with secure and quality 'gigs' for more than 50 years. Technology now allows us to help individuals across an even wider range of skills to find work in even more ways. In 2017, we launched YOSS, an online portal for freelancers and larger enterprises. The freelance market is approximately three times the size of the temporary staffing market but is only a small part of our business. With YOSS we are bringing structure and compliance to an unstructured market, while also helping freelancers create stable careers.

Skills imbalances

New jobs require new skills, which remain in short supply. A new approach to education, and especially up-skilling and re-skilling, must be embraced if the economy and society are to prosper.

With unemployment high in many countries it seems counterintuitive that businesses should be complaining of talent shortages. But the reason is clear: available workers have the wrong skills for the new jobs that are being created.

In the US, 1.4 million computer specialist roles will be created by 2020 yet more than 70% of vacancies will go unfilled. Meanwhile, as automation and robotics adoption rises, as many as 14% of the global workforce will need to switch roles by 2030.

We are working closely with our clients to help address skills imbalances. The Adecco Group runs work-readiness programmes in most countries it operates in. We also run apprenticeship programmes in a number of countries. Modis, in Japan, trains graduates in practical engineering skills. Meanwhile, Lee Hecht Harrison is the global leader in supporting organisations to manage workforce transformation.

New demographic mix

Populations are ageing and the workforce is shrinking in many countries, leading to talent shortages. Individuals are choosing to work in 'retirement', often flexibly. Millennials are digital-natives and expect different things from their careers.

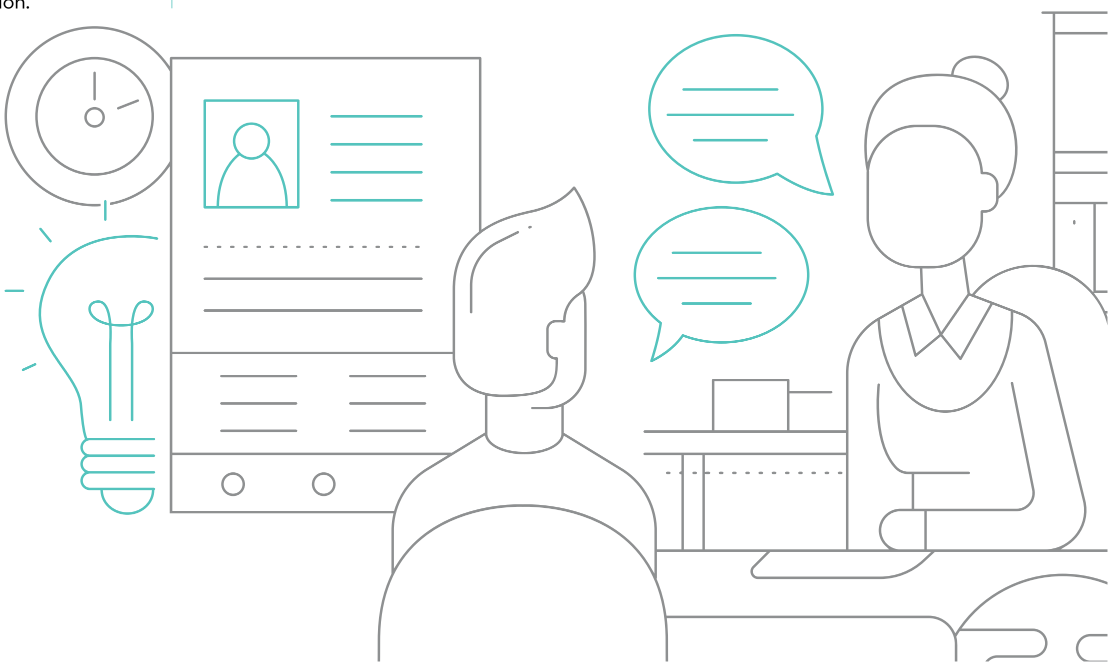
Declining global fertility rates and rising life expectancy are leading to population ageing in most developed and many emerging markets. This creates talent shortages, as the working age cohort shrinks. It also impacts the way that people want to work. Individuals now often continue to work through their 'retirement', choosing to do so on a flexible basis, for example as freelancers or temps.

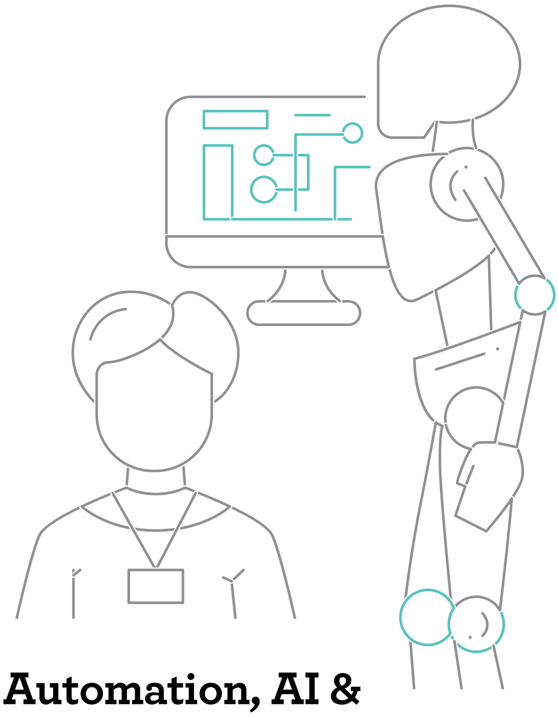
Meanwhile, by 2020, millennials will comprise 50% of the global workforce. They have different expectations of work and their employers, placing more emphasis on variety, flexibility and social purpose. They are more likely to approach their career as a portfolio of projects, rather than as a linear series of long-term jobs.

At the Adecco Group, every day our consultants advise and help candidates to find flexible work that suits their lifestyles. And sourcing scarce talent for clients is a core competency. We therefore see shifting demographics as an opportunity to create even more value.

Recognising that our candidates are increasingly digital-natives, we are making it easier to interact with the Group online and via mobile applications, such as Adecco & Moi, in France. Our digital platforms – Adia, YOSS and Vettery – combine cutting-edge technology with our decades of labour market knowledge.

We also recognise the importance of having a positive impact on society, and programmes such as Win4Youth and WayToWork aim to bring together our colleagues, associates and clients to achieve a common good.





Automation, AI & machine learning

Combining automation with flexible HR solutions will drive a step change in productivity, for our clients and for the Adecco Group.

Advances in both manufacturing robots and Robotic Process Automation are transforming many industries. Repetitive tasks are increasingly being performed by machines, allowing workers to focus on higher value-added activities, nowhere more so than the HR services industry.

Going forward, we see the combination of automation and flexible HR solutions as the next key driver of productivity for our clients. For example, the automotive industry, with amongst the highest adoption of robotics in manufacturing globally, is also one of the largest users of flexible employment.

Automation will also have a profound impact on the skills that our clients will be looking for in workers. This offers the Adecco Group the opportunity to invest in training and development.

For the Adecco Group, process automation and the integration of artificial intelligence into our tools offers enormous potential to improve efficiency. A key element of the GrowTogether programme is equipping our consultants with the most advanced tools; reducing administrative tasks, improving candidate acquisition and increasing speed and quality of service.

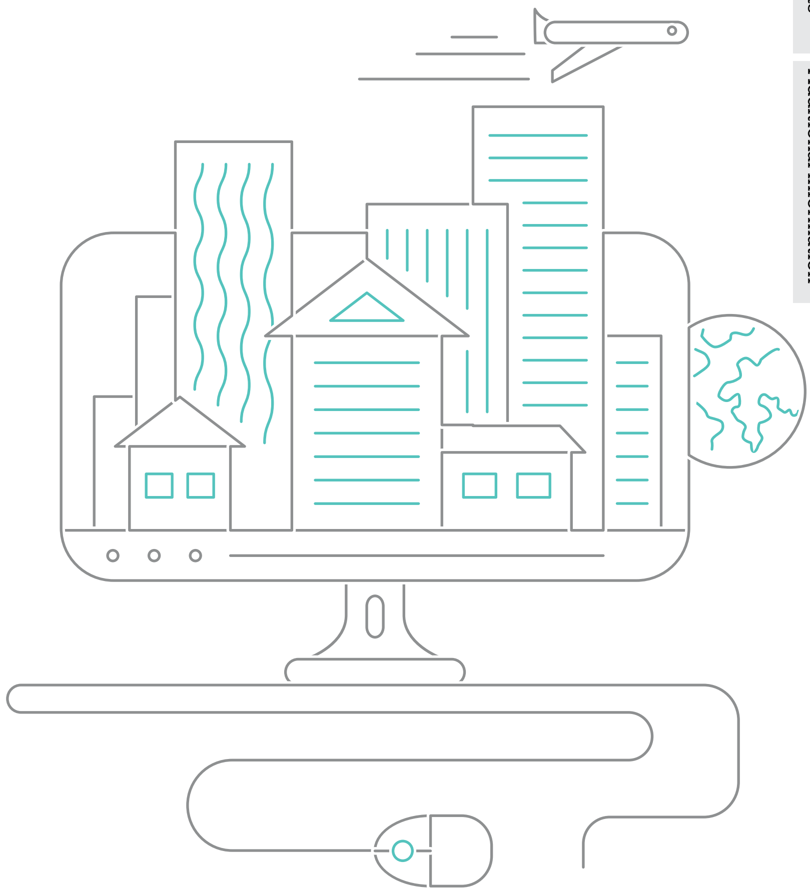
Digitisation, big data & analytics

New distribution channels and data-driven business models are emerging as HR solutions go digital.

The HR services industry is evolving from branch-based delivery to a combination of online and offline models. More efficient digital models create opportunities to provide staffing services in locations and for job roles that were previously not well served. Meanwhile, digital marketplaces have the potential to transform permanent recruitment. And new data-driven business models are emerging.

At the Adecco Group we are embracing the potential of digital. Our dedicated digital organisation scours the HR tech landscape for promising ideas and partners. Through a combination of internal ventures, partnerships and targeted M&A, we have built a portfolio of digital ventures that leverage the best of HR solutions and the best of tech.

Focused on driving productivity, building twins to our offline businesses and on creating innovative new tools, digital allows us to add more value in existing solutions, expand our addressable market and significantly improve efficiency. For more details on specific ventures see pages 22-23.



Providing 360 HR solutions

The world of work is complex and changing rapidly. Depending on the local nuances of the labour markets, the impact of megatrends, and the health of specific industries, the needs of individuals and companies across the globe vary widely.

The Adecco Group provides valuable, flexible and efficient solutions for every aspect of the global labour market throughout the economic cycle, from freelancing to entire workforce outsourcing. We offer these solutions across a wide range of industries and skills profiles, from office administration and hospitality to life sciences and finance, placing more than 700,000 candidates in work every day and supporting over 100,000 companies and organisations.

The Adecco Group's core services include:

- Temporary staffing – providing talent on a temporary basis to clients across various industries. We manage the entire recruitment process from candidate search and screening to payroll and administration. Associates are employed by the Group while on assignments, which often run consecutively to ensure continuous employment. In some countries we employ associates on a permanent basis. Temporary staffing accounts for 88% of Group revenues and 69% of gross profit.
- Permanent placement – placing talent into permanent roles with our clients. We source candidates, screen CVs, and conduct interviews and assessments. We have access to a wide range of talent, including hard-to-reach professionals who are not actively looking for a job. Permanent placement accounts for 2% of Group revenues and 11% of gross profit.
- Career transition – helping organisations and their employees through changes that require individuals to transition out of their current roles. Career transition represents 2% of Group revenues and 8% of gross profit.
- Outsourcing, Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Talent Development – providing a range of holistic HR solutions, including managing the full scope of activities such as call centre operations or entire flexible workforces for companies, handling wholesale recruitment and the management of large contingent workforces, and providing training and career development. These activities account for 8% of Group revenue and 12% of gross profit.

To effectively deliver these services and meet the needs of our customers, the Group is organised into four strategic focus areas, each representing different business lines and supported by our leading global brands.

- Workforce Solutions
- Professional Staffing & Solutions
- Talent Development & Career Transition
- Managed Service Programmes (MSP) & Recruitment Process Outsourcing (RPO).

Each strategic focus area plays a crucial role in the successful delivery of the Group's Perform, Transform, Innovate agenda, including our Digital Ventures programme and our GrowTogether initiative.

This section explores these four strategic focus areas in depth, explaining what they contribute to the business, which sectors and services they cover and how they position the Group to continue leading and shaping the world of work.

Workforce Solutions

Objective

- Drive differentiation and profitable growth through an omni-channel approach and digitisation

Outlook

- Good market growth prospects due to economic uncertainty, skills imbalances, and need for flexibility
- Significant scope to expand market share

Strategy

- Accelerated transformation through GrowTogether
- Greater differentiation and pricing power
- Omni-channel approach opens small customer segment
- Enhanced candidate and client experience

Action

- Standardise and automate internal processes to reduce cost-to-serve
- Put AI and automation to work, starting with the large segment (e.g. Mya)
- Fully digital solutions for small clients (e.g. Adia)

Key brands:

Adecco

Adia

Professional Staffing & Solutions

Objective

- Focus on the most attractive verticals and expand market share by leveraging new technologies

Outlook

- Growth supported by megatrends: skills imbalances, demographics, the 'gig' economy
- Different verticals require different strategies and strong brands

Strategy

- Strengthen global brands in IT and Engineering
- Capitalise on local brand strength in Finance, Medical and Legal
- Expand solutions to the 'gig' economy workforce
- Leverage digital within permanent recruitment

Action

- Combining brands with exciting technology (e.g. Special Counsel and D4)
- Provision of 'staff augmentation' to address skills shortages (e.g. training, up-skilling)
- Strengthening portfolio with strategic M&A (e.g. BioBridges)
- Roll out freelancer marketplace YOSS
- Scale up Vettery, an innovative online recruitment platform

Key brands:

Executive Recruitment

Badenoch & Clark

Professional Staffing & Solutions

modis

Professional Recruitment

Spring Professional

Freelancer Marketplace

YOSS

Talent Development & Career Transition

Objective

- Strengthen position as global leader in workforce transformation

Outlook

- Pace of workforce change likely to accelerate, impacted by technological disruption; strategically important for enterprises
- Transition and re-skilling offer attractive growth and margin profile

Strategy

- Expand market-leading transition offering with new solutions
- Develop leading talent development and re-skilling businesses
- Grow organically and by targeted acquisitions – a proven strategy for Lee Hecht Harrison

Action

- Drive innovation and hybrid services (e.g. Lee Hecht Harrison Active Placement)
- Become 'translator' between private sector, government and candidate
- Support clients & governments in large re-skilling transformations

Key brand:

LEE HECHT HARRISON

MSP & RPO

Objective

- Be the leading total talent solutions partner for large organisations

Outlook

- Demand for workforce-related insights is rising as megatrends create more complex working models
- Big data revolution offers scope for higher-value solutions

Strategy

- Leverage our rich data assets to provide insight for clients
- Develop new business models based on data insights
- Become the thought leader in workforce design

Action

- Make existing data assets accessible and exploitable
- Invest in and develop advanced workforce analytics capabilities
- Leverage Adecco Analytics as a key differentiator

Key brand:

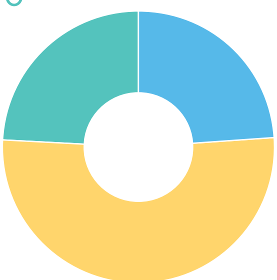
pontoon

Omni-channel approach will create differentiation

Workforce Solutions covers generalist, non-professional temporary and permanent placements for small, medium and large clients across a wide range of sectors of the global economy.

Contribution to Group revenues:

76%



Office:	24%
Industrial:	52%

Key brands:

Adecco Adia

Focusing on temporary staffing, permanent placement, outsourcing and online staffing, Workforce Solutions forms the backbone of our businesses around the world, contributing 76% of Group revenues in 2017.

Workforce Solutions is split into Office and Industrial segments, where the latter covers a broad selection of 'blue collar' jobs in various industrial and service sectors. These sectors typically reflect the composition of the local economy in the 60 countries in which we operate. Industrial contributes 52% of Group revenues while Office, which focuses on clerical and support personnel, represents 24% of Group revenues.

Workforce Solutions are delivered under the global brand Adecco, which has a strong branch presence in metropolitan areas across Europe, the Americas and the Asia Pacific region. The Group's 'recruitment on demand' online staffing platform operates under the Adia brand. Launched in 2017, Adia offers a comprehensive digital solution for candidates, associates and clients primarily in the hospitality and events sector.

The Workforce Solutions market is expected to continue to grow and we see significant scope to expand our market share. We are transforming the way we deliver our services, deploying advanced technologies to empower our consultants and create more value for our customers, driving increased competitive differentiation. Evolution from a purely branch-based to omni-channel delivery will also allow Adecco to reach smaller customers that were previously uneconomic to serve.

We believe this focus area, with its broad exposure to many economic sectors and territories, is well positioned to benefit from the megatrends shaping the world of work.

Faced with ongoing geopolitical and economic uncertainty, companies are increasingly looking for ways to inject greater flexibility in their workforce management. Temporary staffing solutions enable businesses to manage their HR needs in a flexible way, making it possible to manage peaks and troughs in demand, cope with short-term requirements or to cover temporary absences of permanent employees.

Candidates are also seeking a more flexible way to fit work around their lifestyles and other commitments. We expect the demand for part-time, seasonal or short assignments to remain strong as the gig economy continues to gain traction across the world.

There is huge scope for digitisation, big data and analytics to enhance and grow our services. Our new online staffing platform Adia takes full advantage of digital technology to offer an HR service that can be managed remotely, on the go and at the click of a button by clients and candidates alike. Thanks to our Adecco Analytics big data solution, we can help clients plan ahead for changes in labour market supply and demand to avoid skills and talent shortages. We are also incorporating tools that leverage machine learning and artificial intelligence to improve efficiency and accuracy.

Against this favourable backdrop, our GrowTogether programme will transform how we deliver our services. We are creating an omni-channel, enhanced experience for customers with smart branches, online solutions and candidate and client portals. GrowTogether will allow us to offer greater value to our customers while reducing our cost-to-serve and increasing productivity.

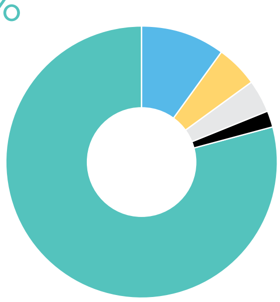
Our Digital Ventures strategy will also support growth in Workforce Solutions, building on the success of Adia and Adecco Analytics, with investments in other cutting edge digital solutions.

Focus on most attractive verticals

Our Professional Staffing & Solutions offering covers temporary staffing, permanent placement, contractors and freelancers in professional jobs, traditionally referred to as 'white collar' employment.

Contribution to Group revenues:

21%



Information Technology:	10%
Engineering & Technical:	5%
Finance & Legal:	4%
Medical & Science:	2%

Key brands:

Executive Recruitment

Badenoch & Clark

Professional Recruitment

Spring Professional

Professional Staffing & Solutions

modis

Freelancer Marketplace

YOSS

This segment focuses on graduate-level talent and higher salary roles, split according to sectors such as education, healthcare, IT, finance and legal.

Professional Staffing & Solutions represented 21% of Group revenues in 2017, of which Information Technology contributed 10%, Engineering & Technical delivered 5%, Finance & Legal accounted for 4%, and Medical & Science was 2%.

Throughout Professional Staffing & Solutions, different verticals and sectors require different strategies and strong, market-specific brands to attract the brightest talent and best clients. The Group is targeting the most attractive verticals and introducing innovative new models. For example, we have adopted a global structure in areas such as engineering and IT, where clients demand it, and we are capitalising on the strength of local brands to lead in areas such as finance, medical and legal.

Our four main global brands are dedicated to serving specific sectors and disciplines within Professional Staffing & Solutions. Badenoch & Clark is the lead brand for senior management and executive roles. Modis covers IT, Engineering and Life Sciences. Spring Professional caters for middle management roles across a range of sectors.

The latest brand in this focus area is YOSS, a digital freelancer marketplace that connects independent workers with large companies. The freelancer market is already three times the size of the temporary staffing market and we have identified an opportunity to leverage our expertise in HR solutions to develop a platform that brings the structure and compliance that larger enterprises need.

Future growth in Professional Staffing & Solutions will be supported by opportunities arising from megatrends such as skills imbalances and the new demographic mix. We offer clients a trusted and reliable source for the skilled and highly qualified talent they need to succeed in their industry.

As the gig economy flourishes, our temporary, contracting and freelance services are enabling more companies and individuals to embrace the advantages of the trend towards independent employment models. And, with YOSS, we are building a market leader in freelancing that we believe will transform how large companies connect with independent talent.

The GrowTogether transformation programme will enhance the way we deliver our services across Professional Staffing & Solutions, with digital technology and innovation upgrading the tools available to our consultants while making our operations more efficient by reducing the cost and burden of administration.

Our Digital Ventures initiative is also driving growth in this focus area. Following the launch of YOSS in 2017, the acquisition of Vettery in early 2018 opens up the potential of digital professional permanent recruitment for the Group.

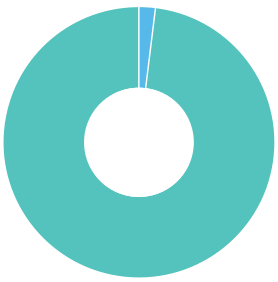
We are also combining existing brands with exciting technology, such as Special Counsel and D4 in the legal segment, and strengthening our portfolio of local brands in specific fields with strategic acquisitions such as BioBridges, in the Life Sciences sector.

Developing skills and careers

Our Talent Development & Career Transition solutions provide organisations and individuals with the support they need to navigate workforce and career changes.

Contribution to Group revenues:

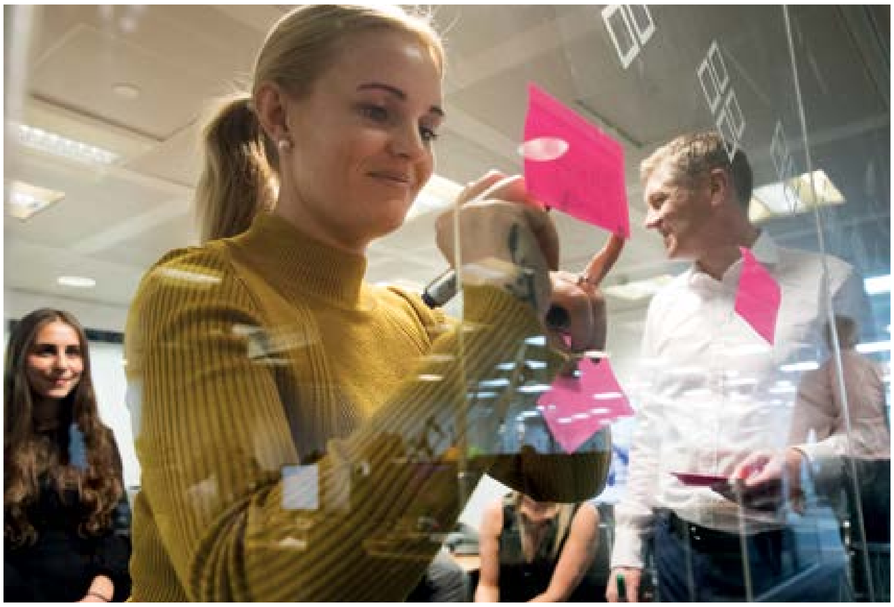
2%



Talent Development & Career Transition: 2%

Key brand:

LEE HECHT HARRISON



Within this focus area, our services range from talent and leadership development to outplacement. We have the capabilities and expertise to manage an entire process, be it for a few individuals or a complete workforce transformation, involving thousands of employees.

Talent Development & Career Transition represents 2% of Group revenues. Solutions are delivered through our Lee Hecht Harrison brand, the worldwide leader in career transition. Its global network means we can offer consistent support to complex organisations across multiple countries.

Organisations turn to us to help secure positive outcomes for departing employees, maintain business continuity, keep remaining employees engaged, and protect their employer brand.

We ensure that affected employees are engaged in transition activities, providing access to personalised support and career-building technology to enable them to move to the next step of their career.

We are committed to enhancing our career transition offering with innovative new solutions, such as Active Placement, an online talent exchange that was launched in 2017. We will also expand our talent development and up-skilling solutions, which we expect to become increasingly important as technological change means that many workers will need to retrain in the coming years.

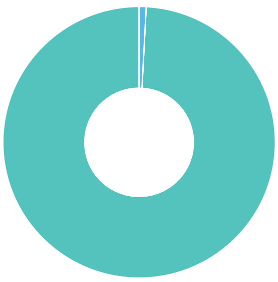
It is our goal to build on Lee Hecht Harrison's market leadership and to position the Adecco Group as the 'translator' between the private sector, governments and candidates to turn workforce transitions into positive opportunities for those involved.

Leveraging our insights

This focus area covers a range of full HR outsourcing solutions for clients across all industries.

Contribution to Group revenues:

1%



MSP & RPO: 1%

Key brand:

pontoon

Managed Service Programmes involve taking over part of the HR function within an organisation to manage all of its contingent and flexible workforce needs. Recruitment Process Outsourcing enables clients to outsource the entire permanent recruitment process to us to harness the full benefit of our expertise and experience in hiring large numbers of employees.

Benefits of MSP and RPO include faster fill rates and improved quality, through stronger supplier engagement. Leveraging scale and increasing visibility on spending also reduces costs and improves compliance.

This focus area accounts for 1% of Group revenues, with all services falling under the brand Pontoon, a global leader in contingent and permanent workforce planning and talent advisory solutions for large clients.

Pontoon's consultative approach draws on knowledge gained from running hundreds of programmes, across all major industry sectors, and ranging from single country operations to those spanning over 100 countries. We combine many years of experience as a global leader with an entrepreneurial culture of innovation, leveraging technology to bring new insights and solutions.

Demand for complete HR solutions and workforce-related insights is likely to grow as megatrends influence the world of work and create more complex workforce structures. In particular, the emergence of big data, analytics and digitisation has opened up new ways to understand and analyse labour markets and to improve how we plan for specific HR needs in the future.

The Group has accumulated a vast array of macro and micro-level data on labour market supply and demand. Leveraging these data, and expertise from across the Group, Pontoon is able to offer unique insights and transformational thinking to its MSP and RPO clients.

In a world where skills imbalances and talent scarcity are creating challenges for many companies, Pontoon is a specialist in sourcing the right talent in large numbers so that clients can continue to grow regardless of any changes in the labour market.

Managing for value

Non-financial performance indicators

- Great Place to Work® ranking KPI
- Net promoter score KPI
- Number of clients
- Number of candidates
- Risk scores
- Compliance training
- Corporate citizenship
- Environmental ratings

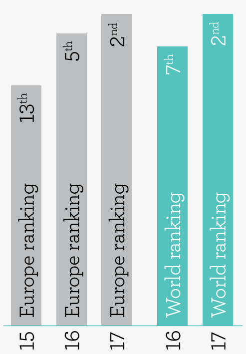
Financial performance indicators

- Volumes
- Bill rate
- Gross margin KPI
- Conversion ratio KPI
- Days sales outstanding KPI
- Capital expenditure
- Funding cost
- Tax rate

Key performance indicators

Great Place to Work® ranking

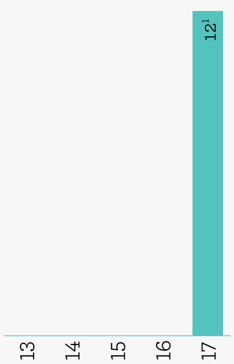
2nd



Inspiring talented people to join and grow with us in a high-performing and engaging environment

Client Net Promoter Score

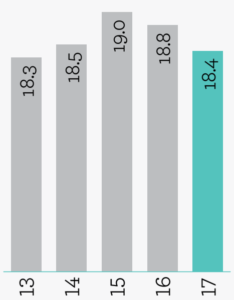
12



Transformation and Innovation will drive improved client experience

Gross margin

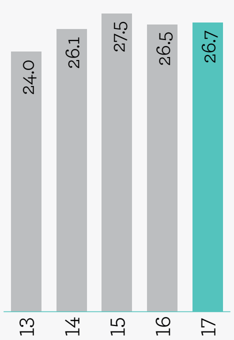
18.4%



Adding value to clients that is reflected in the price we are paid for our services

Conversion ratio[2] excluding one-offs

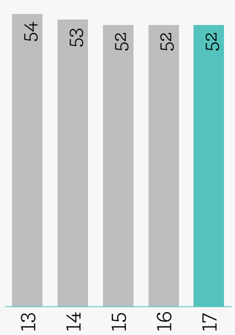
26.7%



Driving productivity and efficiency to maximise our conversion of gross profit into EBITA

Days Sales Outstanding

52 days



Collecting accounts receivable promptly to drive cash generation and optimise return on capital

1 Reported for the first time in 2017 report.

2 Conversion ratio is a non-US GAAP measure and is calculated as EBITA excluding one-offs divided by gross profit.

We constantly monitor both non-financial and financial indicators to steer our operations and drive value creation

Financial results

Revenue growth TARGET

EBITA margin TARGET

Cash conversion TARGET

Interest and tax paid

Free cash flow

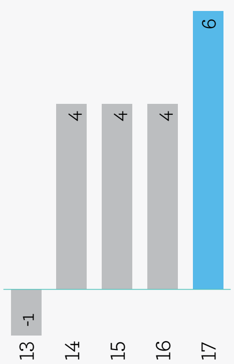
Financial outcomes

Investing in the business	Organic M&A
Maintaining financial strength	ND/EBITDA Credit rating
Returning capital to shareholders	Dividend Share buyback

Financial targets

Organic revenue growth

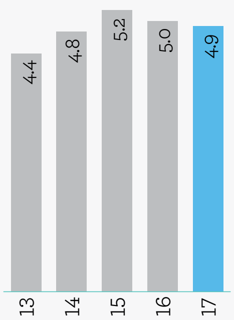
6%



Target: accelerate structural organic revenue growth, and increase GDP multiplier from 3x to 4x by 2020

EBITA margin excluding one-offs

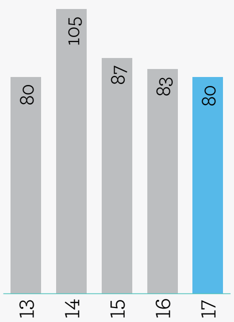
4.9%



Target: drive sustained improvement, with EUR 250m p.a. productivity savings by 2020[3]

Cash conversion

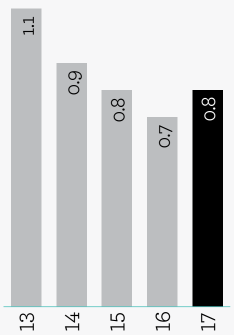
80%



Target: maintain a progressive dividend policy and by 2020 achieve continued strong FCF after investments

Net debt to EBITDA excluding one-offs

0.8x

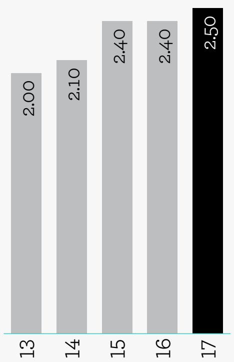


Acquisitions of BioBridges and Mullin

€59m

Dividend per share

CHF2.50



Share buyback launched March 2018

€150m

3 Equivalent to a reduction in the SG&A as a percentage of revenues of 100 bps.

Identify, mitigate and manage

Our risk management process is used to identify and mitigate our risk exposure and to identify business opportunities, improve services and increase the value of the Adecco Group.

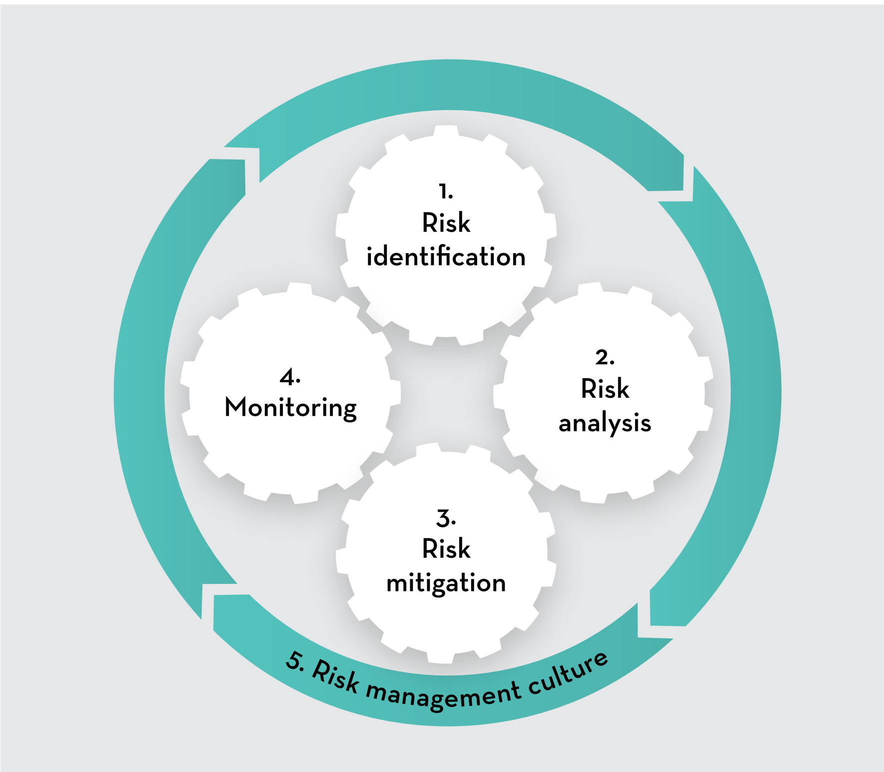
Enterprise risk management

A robust, structured, qualitative and integrated approach

The enterprise risk management process at the Adecco Group has strategic and operational dimensions. While the focus is on analysing, managing and mitigating risks, we also aim to identify opportunities for business development.

The process is performed on a regular basis, steered by Group management, and overseen and approved by the Board of Directors. It comprises several interacting and integrated levels: country, business lines and corporate. All country and business lines management teams are engaged to identify and assess the risks that can have a significant impact on their operations and their ability to meet their objectives. They review the potential root causes, evaluate their vulnerability and consider the potential impact of each risk, both short-term and long-term. When mitigating measures in place do not reduce the risks to an acceptable level, action plans are developed and implemented. The country assessments and action plans are then consolidated and reported to Group management and discussed with the Corporate Risk Owner for each risk category identified. The Enterprise Risk Management Steering Committee (made up of all Corporate Risk Owners) then evaluates the consolidated assessments from a Group perspective. The Steering Committee also assesses risk interactions, taking into account both mutually amplifying risks and the presence of natural hedges. This hybrid top-down and bottom-up approach achieves consistency and comprehensive coverage while embedding accountability and leveraging the expertise of the people in the organisation close to the risks. Risks identified at country, business lines and corporate level are treated as opportunities for improvement.

Anticipating, assessing and managing risks is an inherent part of conducting business at the Adecco Group. The Group's financial risk management activities are also covered on page 135 in the Financial Statements. This section focuses on describing where the key risks could arise and the actions the Adecco Group takes to manage and mitigate these risks.



Key business risks

Economic environment

Demand for most HR solutions is highly correlated to changes in economic activity. When the economy accelerates, demand for temporary staffing and permanent placement services increases. When the economy decelerates, so does demand. On the other hand, career transition is counter-cyclical in nature: demand for these services rises during economic downturns and decreases during upturns. Staffing companies must adjust their capacity to fluctuations in demand, which can occur rapidly and over which they have limited visibility. Failure to anticipate and respond to changes in economic conditions can adversely impact financial performance.

How we handle changes in the economic environment

The Adecco Group has leading positions in most major geographical markets and HR service lines, with clients across many different industries. The diversity of our exposures provides some natural hedge to the risk of changing economic conditions. Nonetheless, we place a high priority on closely monitoring economic developments, how these influence our clients' demand, and their impact on our financial results. Supported by an active dialogue between corporate and regional management, this allows us to stay abreast of any business developments and swiftly adjust our capacity levels.

Client attraction and retention

The Adecco Group's results and prospects depend on attracting and retaining clients. Client satisfaction, as a result of our services rendered, is a key indicator for client retention and therefore needs to be monitored closely.

How we ensure client attraction and retention

We emphasise the importance of acting as a partner to clients to help them satisfy their workforce solutions. On a regular basis we measure client NPS. The results are used to train and support sales teams, to draft and execute sales action plans, and to further enhance the services we deliver. At the same time, we continuously strive to improve our delivery channels and to optimise sales processes, leading to enhanced client attraction.

Associate attraction and retention

We depend on our ability to attract and retain associates who possess the skills and experience to meet our clients' needs. With talent shortages in some highly qualified skill sets, providing suitably qualified associates can be a challenge.

How we address associate attraction and retention

Candidates are attracted through a variety of channels, from the traditional physical branch to online platforms and technologies. Key to retention is the ability to offer associates consecutive assignments with training to improve their skills and at attractive wages. Our candidate NPS is designed to help us identify and respond to their needs.

Employee attraction and retention

The success of our operations depends on the talent and motivation of key corporate colleagues, local managers and field staff. Hiring and retaining the right people in the right job can significantly influence the business prospects of the Adecco Group. The loss of key colleagues, with valuable operational experience in the global HR services industry or with strong customer relationships, could cause significant disruption to our business.

How we measure and improve employee satisfaction

A clear strategy from management, with frequent, honest and transparent communication, is essential in ensuring employee satisfaction. We actively promote a way of working that is open, fair, efficient and collaborative. Compensation packages are competitive, with remuneration plans closely aligned with our targets. We invest in mentoring and talent development, including comprehensive performance and development review processes. The annual Great Place to Work® survey gauges employees' satisfaction with their workplace.

Information Technology

IT plays a pivotal role in today's business operations. Key business processes, such as client and candidate management, and search and match between roles and candidates, are dependent on IT systems and infrastructures. Among others, a significant system interruption, loss or leakage of confidential business information and cyber-risks could result in material disruptions to our business.

How we mitigate IT risks

We undertake ongoing assessments of our global security and IT infrastructure and continue to holistically improve our approach to security. This includes strengthening cyber threat prevention measures and helping ensure rapid detection and efficient response. For business continuity, critical business applications are stored in regional datacentres with failover capability. A review of agreements with IT service providers and enhancement of service-level and contract management are embedded in the IT processes, as is the continuous improvement of user security awareness.

Changes in regulatory/legal and political environment

The HR solutions industry requires appropriate regulation with the ultimate goal of enhancing quality standards to the benefit of societies, workers, private employment agencies and their clients. A changing political environment might lead to inappropriate or unbalanced regulation, potentially impacting our business model.

How we address inappropriate or unbalanced regulation

The Adecco Group is a founding member of World Employment Confederation and holds leadership mandates in the regional and national associations representing our sector. Our engagement spans into global institutions such as the International Labour Organization, the OECD, the International Organisation of Employers and the G20-B20, as well as BusinessEurope. In key strategic areas, we shape the agenda with the Global Apprenticeship Network, the Global Forum for Migration and Development, the ILO Global Business and Disability Network and the European Network Against Racism. The Adecco Group monitors and evaluates, at regional and local level, the changes in the regulatory and legal environment, promoting actions and initiatives directed at improving working and employability conditions, while ensuring the competitiveness and growth of economies.

Compliance with laws

The Adecco Group is exposed to various legal risks, including possible breaches of the law in the areas of employment and discrimination, competition and bribery. The Group holds information on a large number of candidates and associates, bringing additional risks in the rapidly developing area of data privacy laws.

How we ensure adequate compliance with laws

Employees must comply with all applicable legislation and internal policies. In particular, the Adecco Group requires all employees to adhere to our Code of Conduct. Training courses are in place as part of the Adecco Group's Compliance and Ethics (ACE) programme to create awareness among employees on the risks of non-compliance with laws and regulations. Continuous legal updates, as well as periodic audits of branches and local operations, are among our preventive measures. Any issue or concern regarding compliance with laws, regulations or Company policies can be reported confidentially through the ACE website or 24-hour telephone hotline.

Disruptive technologies

Developments in technology are driving the emergence of new analytical tools, as well as communication and delivery channels. This creates the risk that some of the Adecco Group's services could in the future be offered differently and/or by new competitors. Over the longer term, these disruptive technologies could present a threat to the market share and profitability of the Adecco Group.

How we anticipate developments in technology

The Adecco Group continuously monitors current and potential changes to HR solutions resulting from new technologies in order to benefit from opportunities and protect against potential threats. Continuous investment in our IT platform allows us to increase our efficiency and effectiveness and provides the infrastructure for a comprehensive and co-ordinated response to the emergence of new technologies. Within the Adecco Group, a dedicated innovation team works on exploring how we can harness technology in new ways to deliver the Group's services to our clients, associates and candidates.

Data protection

With increasing digitalisation, the ability to provide a data environment respecting the highest security and regulatory standards like GDPR is critical. Any failure to do so, whether due to a lack of appropriate technology and/or controls or human error, could result in a loss of trust among our associates and clients.

How we address adequate data protection

The Adecco Group is continually investing in cybersecurity-related processes and systems. With investments in compliance resources, business processes and technology, the Group is complying with relevant data privacy principles established by law and will reach compliance by May 2018 in the critical areas of the new data privacy EU regulation.

Prioritising and managing what matters most

As a leader in HR solutions and a major multinational, we are conscious of our role in our sector and in society at large. To ensure that we keep abreast of the needs and priorities of all our stakeholders, our risk and materiality processes must work hand in hand. While risk assessment focuses on mitigation and prevention, our complementary materiality approach addresses opportunities. It helps us to identify and prioritise how and where we can add value from an economic, social and environmental perspective.

Material factors	Value creation	Related risks
Influencing global dialogue	We have positioned ourselves as a trusted expert, not solely a service provider: thought leadership and social value creation give us credibility and a strong voice in the global dialogue on employment, skills and workforce vitality. We engage with the relevant institutions on a policy and advocacy level, from the World Employment Confederation (WEC) to the International Labour Organization (ILO), the OECD and the G20-B20. We also work with International Committee of the Red Cross (ICRC) and Plan International to raise awareness and accelerate impact for specific underserved populations.	Client attraction and retention
Desired partner for employees, candidates/associates and clients	It is important to provide our people with meaningful roles and a stimulating working environment so that we can develop the best solutions and services for our candidates, associates and clients. We create rewarding careers for the Adecco Group team and our candidates and associates. We attract, develop, retain and motivate skilled employees, candidates and associates who are passionate, responsible, dedicated and focused to continuously strive for excellence. We work with clients and partners to understand changing workforce needs and to develop the right solutions and services. Examples of our engagement include our Way to Work/CEO for One Month Programme and participation in Nestlé's Alliance for YOUth and the Global Apprenticeship Network (GAN).	Attraction and retention of candidates, associates, employees and clients
Protecting the privacy of our customers	Our clients, candidates, employees, associates, partners and the participants of our global programmes trust us to safeguard their information. The Group will have updated all its critical data security policies and protocols by May 2018 to ensure compliance with the new EU regulations.	IT and data security
Respecting, protecting and advocating for human and labour rights	Individually, and as part of the World Employment Confederation (WEC), we strive to change norms and behaviours across the business community. We have committed to high industry standards and joined voluntary multi-stakeholder initiatives such as the UN Guiding Principle of Business & Human Rights, the OECD Guidelines for Multinational Enterprises, the Global Forum on Migration and Development (GFMD) and the International Labour Organization (ILO) Global Business and Disability Network. Through the Global Adecco Compliance and Ethics programme, we train our staff and offer the 24/7 Adecco Compliance & Ethics Hotline and Reporting Line.	Changes in regulatory/legal/political environment
Influencing and adapting to economic, political and legislative change	As an industry leader, the Group engages with policy makers to drive dynamic and efficient labour markets, and improve working conditions and employability. We monitor and evaluate the global and regional regulatory and legal environment. Collectively, we contribute through the World Employment Confederation (WEC), regional and national associations, the International Labour Organization (ILO), the OECD, the G20-B20 and BusinessEurope. We shape the debate via bodies such as the Global Apprenticeship Network (GAN), the Global Forum on Migration and Development (GFMD), the World Economic Forum (WEF) and the European Network Against Racism (ENAR).	Changes in regulatory/legal/political environment

Measuring and managing our material impact

Building on the risk areas described in the previous section, the following table shows the value we create, the material factors, and the metrics we use to assess progress.

Opportunities	Metrics	
To be seen as a trusted advisor and expert, whose opinion and insights help to drive strategic decision-making. Increasingly, global requests for proposals have sustainability and social impact requirements. Showing that we not only comply but lead will set us apart from our competitors.	• Carbon Disclosure Project climate performance score (Investor & Supplier Module) • Scope 1, 2 and 3 greenhouse gas emission reduction	
Increasingly, people seek work where company values resonate with their own, where they are encouraged to develop, and where they can contribute to society as well as to the bottom line. We compete across sectors for the same talent, but our holistic approach to employment sets us apart. We attract future leaders through initiatives such as apprenticeships, internships and CEO for One Month. By developing a strong and motivated workforce, we can better serve our candidates, associates and clients. We work closely with our employees to address and anticipate their needs. Technology will help us to more efficiently do business and react to workplace needs.	• Great Place to Work® results • Employee retention rate • # of global talent development programmes • # of people trained through global talent development programmes • # of employees and associates engaged in the Win4Youth sport programme • # of engaged employees through Way to Work/CEO for One Month and IOC & IPC Athlete Career Programme	• % of share of satisfied clients and associates • # Net Promoter Score (NPS) of associates and clients • # of CEOs for One Month per year • # of CEOs for One Month employed • # of internships & apprenticeships for young people (Way to Work and Alliance for YOUth) See chapters 'Our performance management framework' and 'Our people', and our CSR Report 2016/2017
Proper protection of data both ensures business continuity and builds trust with our internal and external stakeholders. In addition, positioning ourselves as the leader in developing and adapting technology to the world of work differentiates us from our competitors.	• Data Protection Policy and Code of Conduct • # of trained workforce on data protection and privacy • Compliance with new data privacy EU regulation by May 2018	See chapter 'Risk management and principal risks' and our CSR Report 2016/2017
We ensure that our employees and associates, our greatest asset, are protected. Our governance structure includes Board oversight, staff awareness and the mechanisms to rapidly escalate critical issues.	• # of commitments with regard to human and labour rights (UN Global Compact, OECD Guidelines for MNEs, Global Forum on Migration (GFMD)) • # of trained workforce on ethical business practice	• EcoVadis score and Sustainalytics assessment • # of suppliers assessed through EcoVadis • Inclusion into sustainability indices (FTSE4Good, Ethibel, ECPI, STOXX, Six Sustainability 25 etc.) For further details, see our CSR Report 2016/2017
With our insight into labour markets, we can play a substantial role in ensuring that regulation meets the needs of all stakeholders, improving working and employability conditions, while ensuring the competitiveness and growth of economies.	• # of active roles at WEC and WEC Europe • # of active roles with national associations	• # of initiatives in partnership with international organisations (institutional engagement)

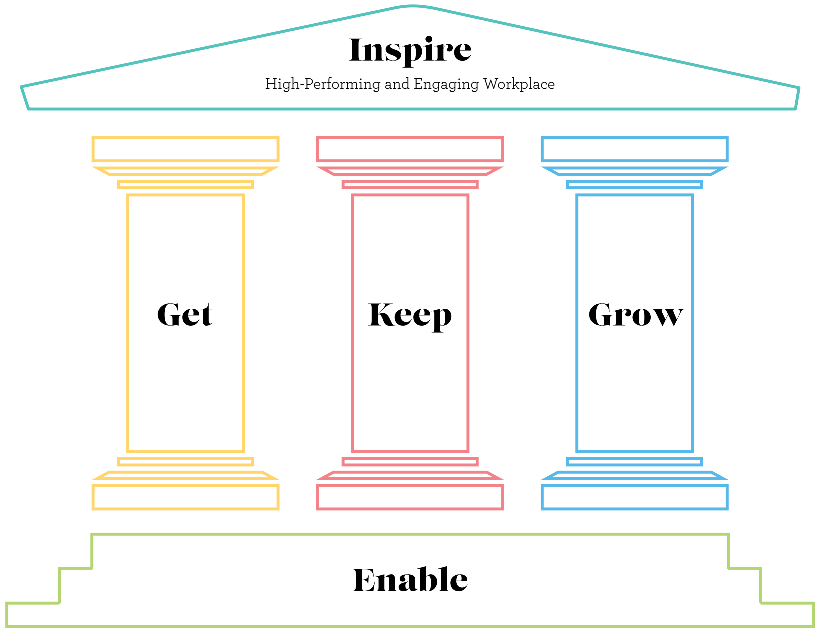
Focusing on our people

Finding, growing and keeping people who are passionate about our purpose is a core strategic priority for the Adecco Group. We ranked second on the 2017 World's Best Workplaces list from Great Place to Work®, and we are proud of the spirit that our teams around the world have created for each other.

As the leader in the world of work, it is vital that the Adecco Group leads by example as a centre of excellence for its own human resources. A key objective for the Adecco Group is to inspire talented people to join and grow with us in a high-performing, diverse and engaging environment.

We drive performance, transform the organisation to develop efficient and effective ways of working, and innovate to bring world-class solutions to our own people, associates, candidates and clients. We know that only our talented people can make this possible.

Our people help our clients across the world identify, attract and grow talent. Our highly engaged colleagues help candidates to find employment opportunities, develop their skills, and take their next career steps. This opportunity to shape the future of work gives our teams a great sense of purpose.



Our talent framework

The Adecco Group has built its talent framework around five pillars – Get, Keep, Grow, Enable, Inspire. This framework was introduced in 2016 and helps us to ensure that our people are the most talented and motivated in the workforce solutions industry.

> "Throughout the recruitment process, I experienced transparency, sincerity, and interest not only in my professional self but also on a personal level. Feeling valued before being part of the team is one of the reasons that made me decide to join."

Jesús Manuel Pastor Sánchez
Area Manager, Outsourcing, Spain, joined in 2017

Attracting the right people

'Get' means attracting diverse and talented employees by communicating how they can contribute to our purpose of empowering people, fuelling economies, and enriching societies, while also growing personally and professionally. We are shifting the way we attract and acquire talent to ensure we have the skills to meet the evolving needs of our clients. In 2017, we hired more than 9,000 employees across the globe who are passionate about our purpose. We launched a project to understand our people's career experiences, so we can better tell the Adecco Group story externally to attract top talent at all levels. Our CEO for One Month programme not only gives young people work experience, it also helps bring in our future leaders.

Retaining the best people

'Keep' is central to our talent management approach. We focus on retaining highly valued employees who have a strong team spirit and feel responsible for making the world a better place to work. We connect individual and team needs to our common purpose of serving our associates, candidates and clients. Our global talent language, including our competencies, underpin our hiring, assessment, performance and development processes. Sustainable high performance is maintained through strengthening our talent activities, including performance reviews, talent reviews and succession planning. For example, we filled the majority of senior leader roles with internal candidates in 2017 compared to less than 50 per cent in the prior year. We monitor retention rates for different profiles – tenure, role, leadership and talent pipelines – to ensure we are retaining the very best people who will help to fuel our future success as a company.

Gender distribution of the Adecco Group employees

	CEO-1-2	Branch management	All
Female:	26%	57%	65%
Male:	74%	43%	35%

> "My career planning and professional development can be attributed to guidance from my managers, learning about real business situations from colleagues and clients, and my personal drive to learn from international leaders."

Kenji Hirano
COO, General Staffing, Japan, started as Sales Leader, General Staffing, in 2004

Helping our people reach their potential

With 'Grow', we are increasing the capability of our people and reinforcing our customer focus. We provide opportunities for our colleagues around the world to develop through valuable local and global work experience, informed career choices, and learning opportunities. We tailor individual development and career plans for all of our employees, from early-in-career talent to senior leaders. These personal plans are based on the well-established principle of 70:20:10. This guiding ratio for an effective way to manage an individual's learning and development recommends that 70% comes from on-the-job experiences, 20% is added by specific guidance from others such as mentors and coaches, and 10% is down to behavioural, technical or competency-based training. It is important that our employees are growing in the right way so we can serve our associates, candidates and clients more efficiently in today's changing world of world.

"The Adecco Group invests a lot in developing managers, like myself. The E4 Leadership Programme, where we worked on strategic thinking as well as how to deal with macro-economic scenarios, shows we want to build long lasting and sustainable worldwide leadership."

Manlio Ciralli
Head of Innovation and Branding, Italy

Core Values

Customer focus

Entrepreneurship

Passion

Responsibility

Team spirit

The Adecco Group Academy represents the core of the Group's formal training and development programmes, which cater to a variety of profiles. A greater focus was placed on commercial programmes that have a tangible business impact and improve our Net Promoter Score. The academy's in-person courses cover areas such as management and performance coaching, leadership, service, sales, operations, IT, and soft skills. It also operates a global exchange programme, mentoring and coaching. In 2017, we invested in online learning solutions, such as language training, business book summaries and cross-cultural training.

The right tools and incentives

It is not enough for the world's leading HR solutions partner to attract and develop talented people – we also need to help them to flourish and perform in an entrepreneurial work environment. This is the essence of 'Enable', the foundation of our talent framework. It means providing clear job descriptions, giving people the tools they need to do their jobs, reducing administrative burden through technology, and embedding a rewards strategy that incentivises the right behaviours and performance. In 2017, we launched a job mapping project to better manage and enable rewards, performance and development. We are also improving our corporate governance by bringing consistency to our job architecture across countries.

"Our job architecture enables our managers to place colleagues in roles that properly match their competencies and level of experience, allowing colleagues to see local and global career path opportunities more clearly."

Joe Maggio
Head of IT Solutions, USA

Building an inspiring culture

The final part of our talent framework is the magic ingredient: to 'Inspire' our diverse people and teams around the world. We endeavour to create a culture of purpose, performance, inclusion, equal opportunity and recognition by motivating our employees. We work with each other, connected by our Core Values: passion, entrepreneurship, responsibility, team spirit and customer focus. The work we do every day – providing people with opportunities and employment – has a strong, inherent purpose. Our vision to make the future work for everyone is driven by engaging our teams in a wide range of global and local social initiatives, such as Win4Youth, the Athlete Career Programme, Adecco Way to Work™, and CEO for One Month.

Equally important is establishing a great place to work. Finding, growing and keeping employees who are passionate about our purpose is a core strategic priority for the Adecco Group. We ranked second on the 2017 World's Best Workplaces list from Great Place to Work®, and we are proud of the spirit that our teams around the world have created for each other. Through this survey, we measure the engagement levels of our employees year by year to understand our strengths and where we have room to improve. Through action plans, sharing across countries and our Great Place to Work® ambassadors in our countries, we leverage best practices across the Adecco Group.

"We actively listen to our colleagues and constantly work to implement our commitments locally. We truly care how our colleagues feel at work and they recognise our efforts."

Silvija Zivkovic, Office Manager,
Mina Zivkovic, Recruitment Consultant,
Great Place to Work® ambassadors, Serbia.
Serbia has the second-highest average Trust Index® in 2017 compared to other countries in the Adecco Group.

Leading the best

The aim of our management and leadership development programme is to attract and grow the leaders of today and tomorrow. We expect our leaders to strategise, steer and motivate, as well as have an impact with our employees, customers, partners, and communities. The Adecco Group has a specific competency framework and development programmes for our leaders. Leadership competencies include strategic planning and judgement, driving financial results and innovation, leading teams, collaboration and impact, learning agility and curiosity, and community impact. Through the Adecco Group Academy, we support the development of our leaders with flagship leadership courses run in partnership with leading business schools such as INSEAD, IMD and IESE. We leverage the development expertise of our colleagues in Lee Hecht Harrison for executive coaching as well as our assessment framework for hiring and developing, including our 360° feedback assessment.

Measuring engagement through the Great Place to Work® Trust Index©

We participate in the Great Place to Work® Trust Index©, which is an employee survey run by an independent USA research, consulting and training organisation. The survey measures the level of trust, pride, and camaraderie within workplaces. We have participated since 2004, expanding the survey to 43 countries and across our global business lines, representing almost 95% of our employees.

The Adecco Group was placed 2nd in the 2017 ranking of the World's Best Multinational Workplaces, out of more than 6,600 multinationals that participated in Best Workplaces competitions throughout the world. To make it onto the shortlist, companies must appear in at least five national Best Workplaces lists, have over 5,000 employees and more than 40% of their workforce based outside their home country. The Adecco Group qualified because of its success in appearing in Great Place to Work® Best Company lists in Belgium, Canada, Denmark, Germany, Ireland, Italy, Luxembourg, Norway, Spain, the Netherlands, Turkey, and the United Kingdom. The Group also ranked 2nd in the 2017 Best Workplaces in Europe.

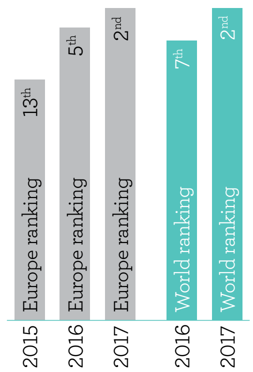
Drivers behind the jump to 2nd place this year in the World's Best Multinational Workplaces, compared to 7th the previous year, include our employees reporting that they feel:

- They work for an inclusive company that embraces difference and prioritises flexibility, engagement, learning and openness.
- Management trusts employees to do a good job without watching over their shoulders, highlighting a culture of empowerment and entrepreneurship.
- Learning and career development opportunities open to everybody result in a culture of meritocracy, which allows high-potential talents to rise from entry-level positions to leadership roles.
- Leaders have a strong ability to inspire and engage employees, showing honest and ethical management practices.
- The Adecco Group's purpose to make the future work for everyone and our community programmes are a key driver of engagement.

The Adecco Group team receiving 2nd place at the Great Place to Work® European Awards 2017

Our success in Great Place to Work® reflects our focus on making colleagues feel valued, trusted and included.

Great Place to Work® Ranking



Social innovation

The Foundation

The Adecco Group Foundation (AGF) was created in 2017 as the first global, corporate foundation for the Group. The purpose of the AGF is to create a central framework and narrative for the Group regarding how we drive social impact and shared value creation. It leverages the long history of social value creation by our four national foundations (Spain, Italy, France and Germany) and numerous local programmes. No other global HR solutions company has a global, programme-based foundation that is focused on creating social impact in the employment space. Thus, we have the opportunity to create ripples of impact across our industry, our clients and the workforce at large.

The AGF is focused on two complementary issues:

- **Work readiness for underserved populations:** Every day, the Group places over 700,000 people in work. Yet, there are others who need our help, those whose skills and potential are often overlooked. We will look at three main categories:
  - First, young people, especially those not in education, employment or training.
  - Second, people in transition from one part of the workforce to another. This could be a parent coming back to work after raising a family, a refugee whose qualifications are not recognised, or people with both visible and invisible disabilities entering the workforce. It could be athletes making the transition from sports into the business world.
  - And third, mature workers who may be overlooked, but are in fact a growing and valuable segment of the workforce.
- **Workforce vitality:** Creating a successful workforce is not just about preparation and placement. The workforce must be healthy, resilient and fit for purpose. This means addressing not only fitness, but other dimensions like nutrition and mental wellbeing to create a holistic approach to supporting people. It means being able to address issues like burn-out and work-life balance, social engagement, and purpose. We will focus on the changing role of the employer in creating a supportive environment. It is important to approach this from two complementary angles: the role of the employer and the expectations of the employee. Our aim is to find solutions that tackle both.

Our social innovation lab

We have structured the Foundation as a social innovation lab. The function is to design and test new models and ways of working that marry both social value and business value.

As the Foundation, we can scope and pilot new ideas. We will do this in collaboration with other stakeholders, as we aim to tackle problems that cannot be solved by one company or sector alone. We will run short-cycle development projects to design and test new solutions. If at the end of the cycle, a tool, programme or solution has business potential, it can be spun out to the Group or to one of our clients. If it has broad social impact, it can be published or otherwise shared to benefit society at large. The aim is not to create and keep, but rather to create and share. In this way, the Foundation remains non-commercial and clearly focused on social innovation. Over time, our contribution will help to change norms and behaviours in our own company, in our clients and in the broader workforce.

Global programmes and projects

Two of the Group's existing global programmes will be housed directly within the Foundation. They will undergo step changes over the coming year to ensure that they create shared value. These programmes are Win4Youth (including the Global Sport & Inclusion Day), and Way to Work, under which CEO for One Month and Experience Work Day fall.

Win4Youth

The Win4Youth programme brings Adecco Group employees, associates and clients together to share their passion for sport and to have a positive impact on the lives of young people around the world. By taking part in Win4Youth, our people also improve their own health and wellbeing and reinforce the Adecco Group core values of: team spirit, customer focus, entrepreneurship, responsibility, and passion. Since Win4Youth started in 2010, we have raised over EUR 2.5 million for youth charities through our amazing colleagues, clients and associates who dedicate their time to sport. This year, among 49,814 participants we logged 7,328,932km, which translated into a donation of CHF 500,000 divided among six charities.

Every year a group of 70 Win4Youth Ambassadors are selected to face our highlight challenge – which is likely to be the sporting challenge of their lives. They train together, support each other and promote the programme across the network. But engagement does not stop there. Being an Ambassador is a life-changing experience and alumni become part of a life-long community of sport lovers, helping each other and their colleagues become healthier and stay more active. Our Ambassador alumni draw on their own stories and experience to inspire others to discover the health and well-being benefits of sport. Their enthusiasm brings the programme to life, driving the spirit of Win4Youth. In addition, the Ambassador alumni play a vital role in mentoring the new cohort of Ambassadors as they go through the experience for the first time.

The 2017 'Godfather' of the programme was Fabian Cancellara, Olympic cycling champion. He was an inspiration to all participants, coaching and encouraging through a bootcamp, trainings, special events and the main triathlon in Gavà.

Global Sport and Inclusion Day 2017

In 2017 we hosted the first annual Global Sport and Inclusion Day. Over 49 countries took part, with the participation of 2,474 colleagues and 70 professional athletes. The aim was to put the spotlight on the importance of creating an inclusive workforce. It was a chance for the public and our employees to better understand the skills and histories that make people valuable. We partnered with the international and national Olympic and Paralympic committees to create hands-on activities to showcase the use of sport to drive inclusion, healthy lifestyle and work-life balance.

Where we are going

In the coming year, we will:

- Multi-sport: To make the programme more inclusive, as of 2018, participants can track their sport activities through our Win4Youth App, or our tracking website. Participants can log either kilometres (swim, bike, run or walk), or the time spent doing any other sport.
- Win4Youth Triathlon in Lanzarote: For the main event, we will go back to Lanzarote as a title sponsor of the Oceanlava Triathlon.
- Global NGO partner: In order to have an even greater impact in 2018 and beyond, we're delighted to partner with a global charity partner, Plan International. We're joining forces to find innovative solutions to youth unemployment around the world.
- Global Champion as the face of the programme: By choosing one of our own alumni colleagues as a Global Champion to represent the programme instead of an external 'Godfather', we will further inspire other employees, associates and clients to get involved in this flagship programme.

Global Sport and Inclusion Day 2018 will feature:

- Increased participation of the public and clients, to raise awareness and impact
- Broader focus on inclusion, beyond disability
- Full integration with the Group's diversity and inclusion approach

This year, among 49,000 participants we logged 7,328,932km, which translated into a donation of CHF 500,000 divided among six charities.

THE FOUNDATION
continued

Alain Dehaze, Chief Executive Officer, with Ed Broadhead, 2017 Global CEO for One Month

This year over 4,000 Adecco Group employees became mentors for one day, sharing their expertise with over 9,000 young people, across 46 countries.

Way to Work

Today, 71 million young people are unemployed. Yet 40% of employers say that lack of experience is the main barrier to hiring young people. The ultimate goal of Way to Work is to positively impact the lives of young people, to prepare them for future employment, and to empower them with the skills and experience necessary to navigate and succeed in the world of work. Over the past five years, Way to Work has evolved tools, support and programming to enable this transition. It has two primary components:

CEO for One Month

This global programme invites young people to demonstrate their leadership potential, innovation and creativity to shape the profile of the 'CEO of the future'. They participate in a series of challenges, first at the country level, and one is selected to shadow the national Adecco Group CEO for One Month, working side by side to see the life of a busy and influential executive. Then the 48 country-level CEOs for One Month participate in a rigorous process of individual and collaborative projects, individual assessments and a collective bootcamp. The selected Global CEO for One Month has the opportunity to shadow the Adecco Group CEO, Alain Dehaze, for one month.

This year, the programme attracted 117,222 candidates, 113% growth since 2016. With a strong social media following, the programme garnered 1,044,859 Facebook impressions. The 2017 Global CEO for One Month, Ed Broadhead, is a Cambridge-educated engineer. A testament to the programme's success in helping young people to transition into work, Ed has joined the Adecco Group as Head of Data Analytics, under Digital Operations.

Experience Work Day

Experience Work Day is designed to provide a hands-on taste of the working world for young people. It is underpinned by two concepts, 'open doors' and 'shadow your dream'. This year over 4,000 Adecco Group employees became mentors for one day, sharing their expertise with over 9,000 young people, across 46 countries.

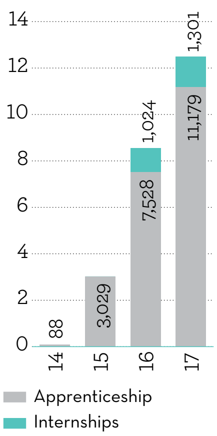
Where we are going

In the coming year, we will:

- Increase the reach of the programmes to include even more young people from a broader cross-section of society around the world
- Ensure continuity and ongoing engagement of all candidates for CEO for One Month; all applicants will get value and skills from the moment they apply
- Engage alumni in outreach to their peers
- Provide more and diverse kinds of opportunity for work experience with the Adecco Group, as well as our clients
- Add high-quality mentorship programme with mentors from across the Adecco Group

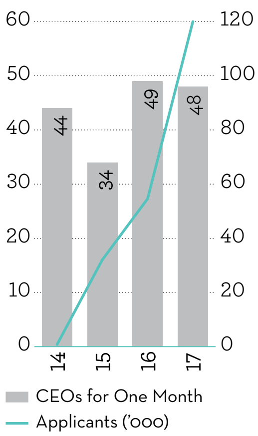
Way to Work Internships

Nr. of internships created through Way to Work 2014-2017 ('000)



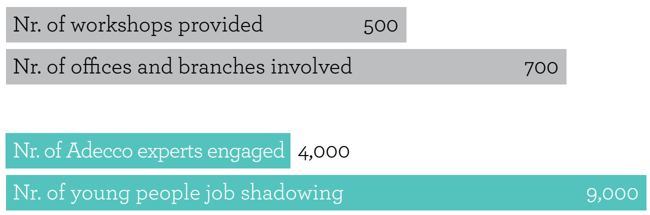
CEOs for One Month

Nr. of CEOs for One Month and nr. of applications per year



Experience Work Day 2017 in 46 countries

Engagement & people reached



The Adecco Group and the Foundation support apprenticeships as an answer to youth unemployment and skills mismatches.

Collaboration with the Group

Athlete Career Programme

Under the Group, but aligned with the aims of the Foundation, the Athlete Career Programme (ACP) supports Paralympic, Olympic and other elite athletes with career training and employment. From workshops to individual advice, the programme aids elite athletes as they build employable skills alongside their athletic careers. Since its inception, the programme has reached more than 40,000 athletes from over 185 countries.

In 2017, the 8th IOC ACP Forum was held in Beijing and provided a unique opportunity for over 80 participants to exchange best practice, gain from global learnings, and refine the strategy to continue to enhance the programme. Participants included representatives from National Olympic Committees, Adecco Group ACP managers and leadership, the IOC and IOC Athletes Commission, and invited guests.

Two thought leadership projects were started over the past year, reflecting the Adecco Group's position at the forefront of thought leadership in the 'Dual Career' space, focused on supporting athletes to build a business career alongside their sporting career. One is in process with the European Union and the other is a collaboration with the Talented Athlete Scholarship Scheme in the UK.

In addition, the ACP continues to evaluate and launch new initiatives to strengthen the demand for athletes in corporations. This included the launch in Switzerland of the LSFAG (Leistungssportfreundlicher Arbeitgeber), a certification for athlete-friendly companies. The LSFAG has attracted a number of leading companies including SBB, Swiss Air and Europcar. Similar programmes have been piloted in other countries, and there is good potential to replicate and scale related models.

Where we are going

In the coming year, we will:

- Expand the network of participating countries
- Increase the number of placements in work or work experience
- Incorporate a mentorship programme in collaboration with CEO for One Month
- Increase alumni engagement

Sustainability and social responsibility

Similarly, the Foundation will work in close collaboration with the sustainability function within the Group. By joining forces to showcase shared value creation and how it is embedded in the group, the Foundation and sustainability can strengthen social value as a competitive asset for the Company.

The Athlete Career Programme helps elite athletes transition into the labour market.

Global collaboration

In addition, the Group works with a number of global and regional bodies to further policies, programmes and practice that support employment and skills across specific communities.

- **ICRC:** In 2017, the Adecco Group Foundation joined the International Committee of the Red Cross' (ICRC) Corporate Support Group and kicked off a strategic partnership. The initial three-year collaboration will focus on supporting and growing the ICRC's Physical Rehabilitation Programme (PRP), which uses sport to enable the rehabilitation and social inclusion of people with an impairment, in conflict zones and other fragile environments. The programme aims to complement physical and mental progress with career counselling and labour market inclusion, the area where the Adecco Group Foundation can best add value. The PRP is already underway in countries including India, Thailand, Afghanistan, and South Sudan as well as in Gaza, with ambitions to expand to other areas.
- **Plan International:** At the end of 2017, the Foundation and Plan International launched a new collaboration. In addition to becoming the charity partner for Win4Youth, Plan International will team up with the Foundation to focus on co-creation of new solutions to help young people in marginalised groups to build the skills and confidence to make the transition to the world of work.
- **Nestlé Alliance for YOUth:** As a member of the Nestlé Alliance for YOUth, the Foundation supports the network's engagement with policy-makers across Europe to help young people to prepare for the world of work and to provide meaningful work experience and training opportunities. In 2017, the Group and the Foundation strongly supported the Alliance's social media, outreach and public policy activities.
- **Global Apprenticeship Network:** The Adecco Group and the Foundation are committed to promoting and facilitating apprenticeships as an answer to youth unemployment and skills mismatches. Through engagement with the Global Apprenticeship Network, the Foundation will continue to track global best practices alongside the Group's own pilot programmes, including the Grande Ecole de l'Alternance in France, to identify promising models that could be scaled or replicated.

in millions, except share and per share information

Continued performance while making key investments

Overview

The Adecco Group delivered a solid performance in 2017. Revenue momentum improved, with organic growth accelerating to 6%. Gross margin declined by 40 basis points ("bps"), mainly due to price and mix impacts. Good cost control and operating leverage offset the majority of this impact, with EBITA margin excluding one-offs down 10 bps to 4.9%. This included investments in the Group's strategic initiatives, which had a negative impact of approximately 25 bps. The Group continued to achieve the highest profitability amongst its industry peers, while investing for the future.

Markets with especially strong performances in 2017 included: Italy, which grew ahead of the market with continued strong margins; Iberia with growth of 11% trading days adjusted and EBITA margin improvement of 90 bps; and the Netherlands, Sweden and Norway, which achieved double-digit revenue growth. In Australia & New Zealand, the performance improvement plan delivered a turnaround in revenue growth and profitability.

Free cash flow of EUR 630 was above the level of the prior year, driven by higher net income. Underlying performance was solid, with DSO stable at 52 days. During the year the Group distributed EUR 374 in dividends and repurchased shares for EUR 267, under the share buyback launched in March 2017. Acquisitions, divestments, and other investing activities totalled a net outflow of EUR 52, including an outflow of EUR 59 for the acquisition of BioBridges and Mullin, and an inflow of EUR 21 relating to deferred consideration due from the merger of the Beeline business with IQNavigator in 2016. Net debt ended the year at EUR 994, representing a ratio of 0.8x net debt to EBITDA excluding one-offs. In Q4 2017, the Group took advantage of favourable conditions in the debt markets to issue USD 300 4-year notes with a 2.625% coupon.

The Adecco Group ended 2017 with continued good revenue growth momentum. In Q4 2017, revenue growth was 7% organically, compared to 6% for the full year. Momentum continued into January and February 2018, with a revenue growth rate of 5%, organically and trading days adjusted.

in EUR millions unless stated	FY 2017	FY 2016	Variance Reported	Variance Organic
Summary of income statement information				
Revenues	**23,660**	22,708	4%	6%
Gross profit	**4,346**	4,276	2%	4%
EBITA excluding one-offs	**1,160**	1,132	2%	3%
EBITA	**1,153**	1,096	5%	6%
Net income attributable to Adecco Group shareholders	**788**	723	9%	
Diluted EPS (EUR)	**4.66**	4.24	10%	
Dividend per share[1] (CHF)	**2.50**	2.40	4%	
Gross margin	**18.4%**	18.8%	(40) bps	(40) bps
EBITA margin excluding one-offs	**4.9%**	5.0%	(10) bps	(10) bps
EBITA margin	**4.9%**	4.8%	10 bps	0 bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)	**932**	934		
Free cash flow (FCF)	**630**	611		
Net debt	**994**	887		
Days sales outstanding	**52**	52		
Cash conversion	**80%**	83%		
Net debt to EBITDA excluding one-offs	**0.8x**	0.7x		

1 Dividend per share for 2017 as proposed by the Board of Directors.

Income Statement

Revenues

Full year 2017 revenues of EUR 23,660 were up 4% year on year on a reported basis. Currency fluctuations had a negative impact of approximately 1%, while acquisitions had a negligible impact. Organically, revenues increased by 6%.

Revenue growth was broad-based across service lines. Revenues in temporary staffing were EUR 20,714, up 4% or up 5% organically with temporary hours sold increasing by 2% on an organic basis. Permanent placement revenues were EUR 494 in 2017, an increase of 8% or 10% organically. Revenues from the counter-cyclical career transition amounted to EUR 369 in 2017, a decrease of 2% or 3% organically.

Revenues grew organically in most business lines. In General Staffing, revenues grew by 7%, with Industrial and Office both up 7%, all on an organic basis. In Professional Staffing, revenues grew by 2%, comprising an increase of 8% in Medical & Science, 1% in IT, and 4% in Engineering & Technical, and a decline of 2% in Finance & Legal, all on an organic basis. In Solutions, revenues grew by 1%, comprising growth of 16% in Business Process Outsourcing and a decline of 4% in Career Transition and Talent Development, all organically.

Gross profit

Gross profit amounted to EUR 4,346, up 2% on a reported basis and 4% organically. The gross margin was 18.4%, down 40 bps compared to 2016. Currency had a 10 bps positive impact, while acquisitions and divestments had a 10 bps negative impact. On an organic basis, the gross margin was therefore down 40 bps.

The organic decline in 2017 comprised: a decline in temporary staffing gross margin of approximately 40 bps, mainly driven by pricing and mix effects, a negative impact of 10 bps from Career transition and a positive impact of 10 bps from permanent placement.

Gross margin drivers YoY

in basis points	2017	2016
Temporary staffing	(40)	(40)
Permanent placement	10	0
Career transition	(10)	0
Organic	**(40)**	**(40)**
Acquisitions & divestments	(10)	10
Currency	10	10
Reported	**(40)**	**(20)**

Selling, general, and administrative expenses

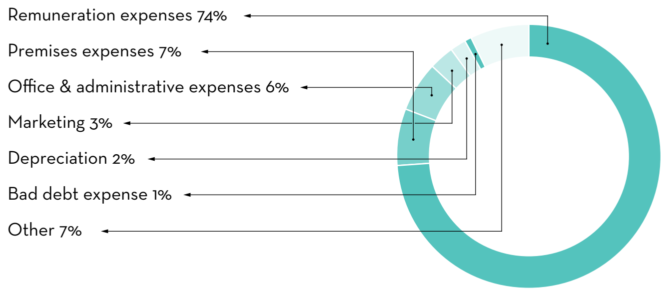
During 2017, the Company maintained its emphasis on cost control. Selling, general, and administrative expenses (SG&A) excluding one-offs were EUR 3,186 in 2017, up 4% organically compared to 2016. SG&A excluding one-offs as a percentage of revenues was 13.5% in 2017, compared to 13.8% in 2016. Reported SG&A in 2017 was EUR 3,193. In 2017, FTE employees increased by 2% organically year on year. Compared to 2016, the branch network decreased by 1% organically.

In 2017, one-offs comprised restructuring costs totalling EUR 7 (EUR 3 in North America, UK & I General Staffing, EUR 2 in North America, UK & I Professional Staffing) and integration costs of EUR 2 (all in Lee Hecht Harrison related to the acquired Mullin business). In 2016, one-offs comprised restructuring costs totalling EUR 27 (EUR 2 in North America, UK & I General Staffing, EUR 3 in North America, UK & I Professional Staffing, EUR 13 in Germany, EUR 4 in Netherlands, and EUR 5 in Rest of World) and integration costs of EUR 9 (all in Lee Hecht Harrison related to the acquired Penna business).

Remuneration expenses were EUR 2,367 in 2017, an increase of 2% in constant currency and representing 74% of total SG&A. Marketing expenses were EUR 85 in 2017, compared to EUR 85 in 2016. Bad debt expense decreased to EUR 20 in 2017 from EUR 27 in 2016.

SG&A breakdown

FY 2017



EBITA

EBITA excluding one-offs was EUR 1,160 in 2017, up 2% compared to 2016 or up 3% on an organic basis. The EBITA margin excluding one-offs was 4.9% in 2017 compared to 5.0% in 2016. This decline was due to the lower gross margin in 2017, in addition to costs for selected investments in the Company's strategic priorities, mostly offset by strong operating leverage. The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 26.7% in 2017 compared to 26.5% in 2016.

One-offs amounted to EUR 7 in 2017 and EUR 36 in 2016. EBITA was EUR 1,153 in 2017 compared to EUR 1,096 in 2016, an increase of 5% or 6% on an organic basis. The EBITA margin was 4.9% in 2017 and 4.8% in 2016.

Amortisation of intangible assets and impairment of goodwill

Amortisation of intangible assets was EUR 32 compared to EUR 34 in 2016. In 2017 a write-down of intangibles (trademarks, related to the streamlining of our brand portfolio) of EUR 129 was recognised in the third quarter.

Operating income

Operating income was EUR 992 in 2017, negatively impacted by the write-down of intangibles (trademarks), compared to EUR 1,062 in 2016.

in millions, except share and per share information

Interest expense and other income/(expenses), net

Interest expense was EUR 52 in 2017 compared to EUR 59 in 2016. Other income/(expenses), net includes interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net. In 2017, other income/(expenses), net amounted to an expense of EUR 1, compared to an income of EUR 32 in 2016. In 2016, other income/(expenses), net included a EUR 100 gain related to the deconsolidation of Beeline following its merger with IQNavigator, losses of EUR 26 related to the buyback of a portion of the outstanding 2018 and 2019 Adecco International Finance Services BV notes, losses of EUR 24 related to the sale of operations in Russia, Ukraine, and Venezuela, and a commitment of EUR 19 to establish the Adecco Group Foundation.

Provision for income taxes

Provision for income taxes was EUR 149 in 2017 compared to EUR 310 in 2016. The effective tax rate is impacted by recurring items, such as tax rates in the different jurisdictions where the Company operates, and the income mix within jurisdictions. It is also affected by discrete items which may occur in any given year, but are not consistent from year to year. In 2017, the effective tax rate was 16% with discrete events having had a 12% positive impact. This was primarily due to the revaluation of certain deferred tax positions, as a result of tax law changes in France and the USA. In 2016, the effective tax rate was 30%, which included a positive impact of 1% from discrete items and a negative impact of 1% related to the merger of Beeline with IQNavigator.

Net income attributable to Adecco Group shareholders and basic EPS

Net income attributable to Adecco Group shareholders in 2017 was EUR 788, compared to EUR 723 in 2016. Basic earnings per share (EPS) was EUR 4.67 in 2017 compared to EUR 4.24 in 2016.

Cash Flow Statement and net debt

Analysis of cash flow statements

The following table illustrates cash flows from or used in operating, investing, and financing activities:

in EUR millions	2017	2016
Summary of cash flow information		
Cash flows from operating activities	730	687
Cash used in investing activities	(113)	(113)
Cash used in financing activities	(695)	(589)

Cash flows from operating activities increased to EUR 730 in 2017 from EUR 687 in 2016. The increase is mainly due to higher Net Income. DSO was 52 days for the full year 2017 compared to 52 days for the full year 2016. Both years include the cash proceeds for the sale of a portion of the CICE receivables of EUR 179 in 2017 and EUR 169 in 2016.

Cash used in investing activities totalled EUR 113, the same as in 2016. In 2017, cash settlements on derivative instruments was an inflow of EUR 39 compared to an inflow of EUR 63 in 2016. Capital expenditures amounted to EUR 100 in 2017 and EUR 76 in 2016. Acquisitions, divestments, and other investing activities totalled a net outflow of EUR 52, including an outflow of EUR 59 for the acquisition of BioBridges and Mullin, and an inflow of EUR 21 relating to deferred consideration due from the merger of the Beeline business with IQNavigator in 2016. In 2016, acquisitions, divestments, and other investing activities totalled an outflow of EUR 100; this included an outflow EUR 122 for the acquisition of Penna, and an inflow of EUR 72 related to the merger of the Beeline business with IQNavigator.

Cash used in financing activities totalled EUR 695, compared to EUR 589 in 2016. In 2017, the Company issued long-term debt of EUR 255, net of issuance costs, and repaid long-term debt of EUR 299. In 2016, the Company issued long-term debt of EUR 494, net of issuance costs, repaid long-term debt of EUR 316, and bought back long-term debt for EUR 362, in order to optimise the Company's debt maturity profile and cost of capital. The Company paid dividends of EUR 374 in 2017 and EUR 372 in 2016, and purchased treasury shares for EUR 304 in 2017 (of which EUR 267 under the 2017 share buyback programme) and EUR 20 in 2016.

Net debt

Net debt increased by EUR 107 to EUR 994, as at 31 December 2017. At 31 December 2017, the ratio of net debt to EBITDA excluding one-offs was 0.8x, compared to 0.7x at 31 December 2016. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP:

in EUR millions	2017	2016
Net debt		
Short-term debt and current maturities of long-term debt	394	345
Long-term debt, less current maturities	1,562	1,670
Total debt	1,956	2,015
Less:		
Cash and cash equivalents	958	1,123
Short-term investments	4	5
Net debt	994	887

In Q4 2017, the Company took advantage of favourable conditions in the debt markets to issue USD 300 of 4-year notes with a 2.625% coupon.

Planned cash outflows in 2018 include distribution of dividends for 2017 in the amount of CHF 2.50 per share. The maximum amount of dividends payable based on the total number of outstanding shares (excluding treasury shares), as at 31 December 2017 of 165,836,334 is CHF 415. Payment of dividends is subject to approval by shareholders at the Annual General Meeting.

Segment performance

Effective 1 April 2017, the Company realigned its organisational structure to align with changes in Executive Committee responsibilities. The Company's operations in North America and UK & Ireland have been combined and are managed according to the business lines of General Staffing and Professional Staffing. Prior year information has been restated to conform to the current year presentation. Organic growth rates are reported where these differ from growth rates at constant currency.

France

In 2017, revenues in France increased by 8% to EUR 5,350. Temporary staffing revenues in France grew by 8% while permanent placement revenues grew by 14%.

Revenues increased by 9% in General Staffing, which accounts for over 90% of revenues, and remained flat in Professional Staffing. Revenue growth was very strong in logistics and automotive and it was good in construction and manufacturing. The segmentation strategy continues to gain traction, with strong growth in the small customer segment and in onsites.

EBITA amounted to EUR 342 in 2017 compared to EUR 321 in 2016. The EBITA margin was 6.4% in 2017. The margin was supported by an increase in the CICE wage subsidy, partly offset by increased strategic IT investments. In 2016, the EBITA margin was 6.5%, which included favourable items that added approximately 20 bps to the EBITA margin.

North America, UK&I General Staffing

Revenues in North America, UK&I General Staffing were EUR 3,017 in 2017, up 1% organically and down 2% as reported, as currency fluctuations had a negative impact of 3% compared to the prior year. Temporary staffing revenues were up 1% while permanent placement revenues were down 3%, both in constant currency.

In North America, representing 74% of the segment, revenues declined by 3% at constant currency. Growth was negatively impacted by higher exposure to large companies, where employment growth was more modest. The segmentation strategy was fully deployed by year end and is expected to lead to an increase in market share by broadening the customer base and improving the business mix. In the UK&I, representing 26% of the segment, revenue development was strong with growth of 14% at constant currency, driven by new large client wins.

In 2017, EBITA excluding one-offs was EUR 95. EBITA of EUR 92 included restructuring costs of EUR 3. In 2016, EBITA was EUR 114 and included one-offs of EUR 2. The EBITA margin excluding one-offs was 3.2% in 2017, compared to an EBITA margin excluding one-offs of 3.8% in 2016, impacted by investment in strategic initiatives, in particular IT investments.

North America, UK&I Professional Staffing

In 2017, revenues in North America, UK&I Professional Staffing were EUR 3,608, flat organically and down 4% as reported, due to a negative impact of 4% from currency fluctuations. Temporary staffing revenues were down 3% and permanent placement revenues were down 1%, both organically.

In North America, representing 64% of the segment, revenues increased by 2% organically. Revenues decreased by 4% in IT, and increased by 1% in Finance & Legal, by 7% in Engineering & Technical and by 4% in Medical & Science, all on an organic basis. In UK&I, which comprises 36% of the segment, revenues decreased by 4% organically, impacted by lower client and candidate confidence due to economic and political uncertainty related to the process of exiting the European Union.

EBITA excluding one-offs amounted to EUR 210 in 2017. The EBITA of EUR 208 included one-offs of EUR 2 for restructuring costs. In 2016 the EBITA of EUR 216 included one-offs of EUR 3. The EBITA margin excluding one-offs was 5.8% in 2017, the same as achieved in 2016.

Germany, Austria, Switzerland

In Germany, Austria, Switzerland, revenues were EUR 2,185 in 2017, up 1% in constant currency and flat on a reported basis. Revenues in General Staffing, which accounts for over 80% of the total in Germany, Austria, Switzerland, were down 2% in constant currency, impacted by disruption resulting from the planned merger of the Adecco and Tuja businesses. Revenues in Professional Staffing grew by 15% in constant currency.

In 2017, EBITA amounted to EUR 95. In 2016, EBITA was EUR 101 and included restructuring costs of EUR 13. The EBITA margin was 4.3% in 2017 compared to an EBITA margin excluding one-offs of 5.2% in 2016. The decline was impacted by the less favourable timing of bank holidays in 2017 compared to 2016.

Benelux & Nordics

In 2017, revenues in Benelux & Nordics increased by 10% to EUR 2,079. Currency fluctuations had no impact on the revenues, while acquisitions had a positive impact of 1%. Organically, revenues increased by 9%. In Benelux, revenues increased by 10%. In the Nordics, revenues were up 7% organically, with double-digit growth in Norway and Sweden while Denmark declined due to the completion of a few large client projects.

In 2017, EBITA amounted to EUR 72, leading to an EBITA margin of 3.5%. In 2016, the EBITA was EUR 69 and included restructuring costs of EUR 4 in the Netherlands; the margin excluding one-offs was 3.9%. The decline was impacted by a unfavourable client mix and increased social charges in 2017, compared to 2016.

Italy

Revenues in Italy increased by 25% in 2017, to EUR 1,837, including 30% growth in permanent placement. Growth was strong across all major sectors, including manufacturing, automotive, chemicals and logistics.

EBITA in 2017 was EUR 141 compared to EUR 114 in the previous year. The EBITA margin was 7.7% in 2017, compared to 7.8% in 2016.

in millions, except share and per share information

Japan

In Japan, revenues in 2017 were EUR 1,276, flat or an increase of 5% in constant currency. Revenues grew by 7% in temporary staffing, by 27% in permanent placement, and declined by 5% in outsourcing due to the completion of a large project, all in constant currency. In General Staffing, revenues were up 2% in constant currency. In Professional Staffing, which represents more than 25% of revenues and comprises Finance & Legal, IT and Engineering & Technical, revenues increased by 12% in constant currency.

In 2017, EBITA was EUR 86. In 2016, EBITA was EUR 84. The EBITA margin was 6.8% in 2017, compared to the EBITA margin of 6.6% in 2016.

Iberia

Revenues in Iberia were EUR 1,085 in 2017, an increase of 11% compared to the previous year. Revenues increased by 14% in temporary staffing and by 3% in outsourcing compared to 2016.

EBITA in 2017 was EUR 56 compared to EUR 42 in 2016. The EBITA margin was 5.2% in 2017 compared to 4.3% in 2016.

Rest of World

In 2017, revenues in Rest of World increased by 4% to EUR 2,799. Revenues were negatively impacted by 1% due to currency fluctuations and by 2% due to the divestment of the Company's activities in Russia, Ukraine, and Venezuela. Organically, revenues increased by 7%, with Australia & New Zealand up 8%, Latin America up 10%, Eastern Europe & MENA up 4%, Asia up 5%, and India up 6%.

In 2017, EBITA was EUR 92. In 2016, EBITA of EUR 69 included a charge of EUR 5 in Australia for cost optimisation measures. The EBITA margin was 3.3% in 2017, compared to the EBITA margin excluding one-offs of 2.7% in 2016, as a result of a continued focus on improving client mix.

Lee Hecht Harrison

Lee Hecht Harrison is the Adecco Group's Career Transition & Talent Development business. Revenues in 2017 amounted to EUR 424, a decrease of 2%. Currency fluctuations had a negative impact of 1%, while the acquisitions of Penna and Mullin had a 3% positive impact on revenues. Organically, revenues decreased by 4%.

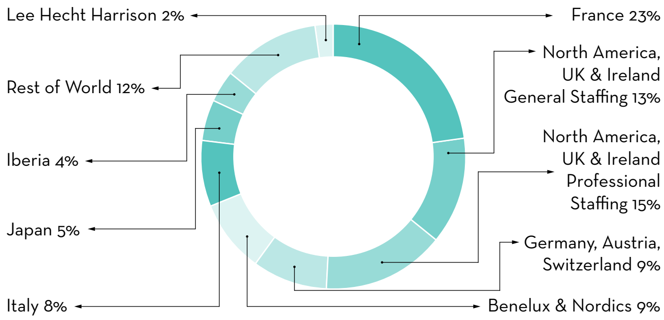
EBITA excluding one-offs was EUR 121 in 2017 compared to EUR 120 in 2016. In 2017, EBITA of EUR 119 included integration costs of EUR 2 related to the acquisition of Mullin in October. In 2016, EBITA of EUR 111 included integration costs of EUR 9 related to the acquisition of Penna in May. The EBITA margin excluding one-offs was 28.6% in 2017 compared to 27.7% in 2016.

Outlook

In Q4 2017, revenue growth was 7%, an improvement compared to 6% growth achieved in the previous four quarters, all organically and trading days adjusted. Revenue growth in January and February 2018 combined was 5%, organically and trading days adjusted. The nature of the Group's activities means that forward visibility is generally low. However, the Group will adapt to any changes in market conditions, maintaining price discipline and tight cost control.

The Company has taken financial commitments to deliver leading total shareholder returns. These are: (1) Accelerate structural organic revenue growth, and increase the revenue growth GDP multiplier from 3x to 4x by 2020; (2) Achieve sustained EBITA margin improvement, and deliver SG&A productivity savings of EUR 250 per annum by 2020 (a 100 bps reduction in SG&A/revenues); (3) Maintain a progressive dividend policy, even in a recession, and deliver continued strong free cash flow while making strategic investments.

2017 revenue split by segment



Temporary staffing organic variance YoY by segment

	Organic variance		
	Hours sold	Bill rate	Revenues
France	8%	0%	8%
North America, UK&I General Staffing	-3%	4%	1%
North America, UK&I Professional Staffing	-4%	2%	-3%
Germany, Austria, Switzerland	-5%	2%	-3%
Benelux & Nordics	8%	0%	8%
Italy	31%	-4%	27%
Japan	4%	3%	7%
Iberia	12%	1%	14%
Rest of World	-4%	11%	7%
Adecco Group	2%	4%	5%

Revenues by segment

	Revenues in EUR millions		Variance				% of total revenues	
	2017	2016	EUR	Constant currency	Organic	Organic TDA[1]	2017	2016
France	**5,350**	4,947	8%	8%	8%	9%	**23%**	22%
North America, UK&I General Staffing	**3,017**	3,079	-2%	1%	1%	2%	**13%**	13%
North America, UK&I Professional St.	**3,608**	3,769	-4%	-1%	0%	0%	**15%**	17%
Germany, Austria, Switzerland	**2,185**	2,175	0%	1%	1%	2%	**9%**	10%
Benelux & Nordics	**2,079**	1,897	10%	10%	9%	9%	**9%**	8%
Italy	**1,837**	1,464	25%	25%	25%	26%	**8%**	6%
Japan	**1,276**	1,276	0%	5%	5%	3%	**5%**	6%
Iberia	**1,085**	979	11%	11%	11%	11%	**4%**	4%
Rest of World	**2,799**	2,690	4%	5%	7%	7%	**12%**	12%
Lee Hecht Harrison	**424**	432	-2%	-1%	-4%	-4%	**2%**	2%
Adecco Group	**23,660**	22,708	4%	6%	6%	6%	**100%**	100%

1 TDA = trading days adjusted.

Organic revenue variance YoY, trading days adjusted

	2017				
	Q1	Q2	Q3	Q4	FY
France	8%	9%	8%	9%	9%
North America, UK&I General Staffing	3%	-1%	2%	2%	2%
North America, UK&I Professional Staffing	2%	0%	-2%	0%	0%
Germany, Austria, Switzerland	1%	0%	2%	4%	2%
Benelux & Nordics	4%	10%	11%	12%	9%
Italy	26%	27%	25%	28%	26%
Japan	3%	3%	4%	3%	3%
Iberia	6%	12%	14%	11%	11%
Rest of World	5%	9%	6%	7%	7%
Lee Hecht Harrison	1%	-3%	-5%	-8%	-4%
Adecco Group	**6%**	**6%**	**6%**	**7%**	**6%**

The Adecco Group in the market context, 2017

	Adecco Group		Market		Adecco Group	
	Revenues EUR millions	Organic variance	Revenues EUR billions	Variance in constant currency	Market Share	Market Position
France	5,350	8%	25	9%	21%	1
North America, UK&I	6,625	0%	162	2%	4%	2
Germany, Austria, Switzerland	2,185	1%	38	3%	6%	2
Benelux & Nordics	2,079	9%	33	7%	6%	2
Italy	1,837	25%	11	24%	17%	1
Japan	1,276	5%	97	7%	1%	4
Iberia	1,085	11%	6	13%	19%	2
Rest of World	2,799	7%	79	6%	4%	2
Lee Hecht Harrison	424	-4%	9	-1%	5%	1
Adecco Group	**23,660**	**6%**	**460**	**5%**	**5%**	**1**

in millions, except share and per share information

Revenues by business line[1]

	Revenues in EUR millions		Variance			% of total revenues	
	2017	2016	EUR	Constant currency	Organic	2017	2016
Office	5,606	5,390	4%	6%	7%	**24%**	24%
Industrial	12,299	11,509	7%	7%	7%	**52%**	51%
General Staffing	**17,905**	16,899	6%	7%	7%	**76%**	75%
Information Technology	2,519	2,586	-3%	1%	1%	**10%**	11%
Engineering & Technical	1,139	1,108	3%	4%	4%	**5%**	5%
Finance & Legal	999	1,001	0%	2%	-2%	**4%**	4%
Medical & Science	503	461	9%	10%	8%	**2%**	2%
Professional Staffing	**5,160**	5,156	0%	3%	2%	**21%**	22%
CTTD	424	432	-2%	-1%	-4%	**2%**	2%
BPO	171	221	-23%	-21%	16%	**1%**	1%
Solutions	**595**	653	-9%	-8%	1%	**3%**	3%
Adecco Group	**23,660**	22,708	4%	6%	6%	**100%**	100%

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 Digital. BPO included Vendor Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger with IQNavigator.

EBITA, one-offs, and EBITA excluding one-offs by segment

	EBITA excluding one-offs		One-offs		EBITA	
in EUR millions	2017	2016	2017	2016	2017	2016
France	**342**	321			**342**	321
North America, UK&I General Staffing	**95**	116	**(3)**	(2)	**92**	114
North America, UK&I Professional Staffing	**210**	219	**(2)**	(3)	**208**	216
Germany, Austria, Switzerland	**95**	114		(13)	**95**	101
Benelux & Nordics	**72**	73		(4)	**72**	69
Italy	**141**	114			**141**	114
Japan	**86**	84			**86**	84
Iberia	**56**	42			**56**	42
Rest of World	**92**	74		(5)	**92**	69
Lee Hecht Harrison	**121**	120	**(2)**	(9)	**119**	111
Corporate	**(150)**	(145)			**(150)**	(145)
Adecco Group	**1,160**	1,132	**(7)**	(36)	**1,153**	1,096

EBITA and EBITA margin excluding one-offs by segment

	EBITA excluding one-offs in EUR millions				EBITA margin excluding one-offs		
			Variance				Variance
	2017	2016	EUR	Constant currency	2017	2016	bps
France	**342**	321	7%	7%	**6.4%**	6.5%	(10)
North America, UK&I General Staffing	**95**	116	-17%	-15%	**3.2%**	3.8%	(60)
North America, UK&I Professional St.	**210**	219	-5%	-2%	**5.8%**	5.8%	0
Germany, Austria, Switzerland	**95**	114	-16%	-16%	**4.3%**	5.2%	(90)
Benelux & Nordics	**72**	73	-2%	-1%	**3.5%**	3.9%	(40)
Italy	**141**	114	23%	23%	**7.7%**	7.8%	(10)
Japan	**86**	84	3%	8%	**6.8%**	6.6%	20
Iberia	**56**	42	32%	32%	**5.2%**	4.3%	90
Rest of World	**92**	74	24%	27%	**3.3%**	2.7%	60
Lee Hecht Harrison	**121**	120	1%	2%	**28.6%**	27.7%	90
Corporate	**(150)**	(145)	4%	5%			
Adecco Group	**1,160**	1,132	2%	4%	**4.9%**	5.0%	(10)

EBITA and EBITA margin by segment

	EBITA in EUR millions				EBITA margin		
			Variance				Variance
	2017	2016	EUR	Constant currency	2017	2016	bps
France	**342**	321	7%	7%	**6.4%**	6.5%	(10)
North America, UK&I General Staffing	**92**	114	-19%	-16%	**3.1%**	3.7%	(60)
North America, UK&I Professional St.	**208**	216	-4%	-2%	**5.8%**	5.8%	0
Germany, Austria, Switzerland	**95**	101	-6%	-6%	**4.3%**	4.6%	(30)
Benelux & Nordics	**72**	69	4%	5%	**3.5%**	3.6%	(10)
Italy	**141**	114	23%	23%	**7.7%**	7.8%	(10)
Japan	**86**	84	3%	8%	**6.8%**	6.6%	20
Iberia	**56**	42	32%	32%	**5.2%**	4.3%	90
Rest of World	**92**	69	33%	37%	**3.3%**	2.6%	70
Lee Hecht Harrison	**119**	111	8%	9%	**28.1%**	25.6%	250
Corporate	**(150)**	(145)	4%	5%			
Adecco Group	**1,153**	1,096	5%	7%	**4.9%**	4.8%	10

in millions, except share and per share information

FTE employees and branches by segment

	FTE employees				Branches			
			Variance				Variance	
	2017	2016	Reported	Organic	2017	2016	Reported	Organic
France	**5,045**	4,839	4%	4%	**1,088**	1,062	2%	2%
North America, UK&I General St.	**4,826**	4,897	-1%	-3%	**712**	715	0%	0%
North America, UK&I Professional S	**4,685**	5,105	-8%	-5%	**473**	480	-1%	-3%
Germany, Austria, Switzerland	**2,781**	2,654	5%	5%	**443**	462	-4%	-4%
Benelux & Nordics	**2,479**	2,425	2%	1%	**459**	508	-10%	-11%
Italy	**1,912**	1,737	10%	10%	**411**	381	8%	8%
Japan	**2,039**	1,974	3%	3%	**146**	141	4%	4%
Iberia	**1,668**	1,616	3%	3%	**396**	390	1%	1%
Rest of World	**5,766**	5,741	0%	3%	**675**	686	-2%	0%
Lee Hecht Harrison	**2,071**	1,995	4%	0%	**264**	293	-10%	-12%
Corporate	**515**	408	26%	26%				
Adecco Group	**33,787**	33,391	1%	2%	**5,067**	5,118	-1%	-1%

Controls and compliance

The Company is committed to maintaining the highest standards of ethical business conduct. The Company's Chief Human Resources Officer and the Head of Group Compliance Reporting oversee worldwide business ethics and compliance practices and report regularly on these topics, depending on the nature of the irregularities, to the Audit Committee or to the Governance and Nomination Committee. In addition, the Company's Head of Group Internal Audit reports directly to the Audit Committee.

The Board of Directors and management of the Company are responsible for establishing and maintaining adequate Internal Control Over Financial Reporting. Management has assessed the effectiveness of the Company's Internal Control Over Financial Reporting as at 31 December 2017. In making this assessment, management used the principles established in the updated Internal Control – Integrated Framework (May 2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as at 31 December 2017, the Company's Internal Control Over Financial Reporting is effective.

The Company's internal control system is designed to provide reasonable assurance to the Company's management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statements preparation and presentation. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forward-looking statements

Information in this Annual Report 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 Annual Report are based on information available to the Company as at 14 March 2018, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Annual Report are not guarantees of future performance, and actual results could differ materially from the Company's 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 affecting 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; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

Open and transparent communications

Our communications policy

The Adecco Group focuses on providing transparent and consistent information and interactive communication. We strive for an open dialogue with the financial community, the media and all key stakeholders to enhance understanding of the business as well as to explain the risks and opportunities.

The Adecco Group is committed to providing regular updates on key value drivers, business strategy and key ratios used by the Group to track its own performance. We are dedicated to providing true, fair and up-to-date information to every interested stakeholder, so that the share price reflects the inherent value of the Adecco Group.

Investor Relations activities in 2017

We formally communicate our financial performance in our comprehensive quarterly results, which management discusses with the financial community and the media via a conference call and webcast. We also offer meetings with management and Investor Relations at roadshows, conferences and at our headquarters. In addition, we strive to ensure clear and transparent communication of other price-sensitive information through press releases and comprehensive content on our website at https://www.adeccogroup.com/investors. We respect the legal obligations relating to confidentiality and disclosure, and make every effort to guarantee equal distribution of price-sensitive information.

In keeping with our approach, we continue to maintain an open dialogue with the financial community through our Investor Relations activities. In September 2017, we hosted a Capital Markets Day in London, with a particular focus on the Group's digital strategy and updated financial commitments. During the year, we devoted a further 37 days to market communication, often following our quarterly results releases or when participating in broker conferences. In total, we met with more than 300 investors during the year.

Analyst coverage

The Adecco Group's development is closely monitored by the financial community. Currently 21 brokers actively cover the Group, maintaining regular contact with management and the Investor Relations team. They comprise ABN Amro, Bank Vontobel, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, Helvea-Baader Bank Group, HSBC, Intermonte, Jefferies, J.P. Morgan, Kepler Cheuvreux, MainFirst, Mirabaud, Morgan Stanley, Oddo BHF, Royal Bank of Canada, UBS and Zürcher Kantonalbank.

At the start of 2017, 41% of the analysts recommended buying shares in the Adecco Group, 41% had a neutral view, and 18% recommended selling the shares. The year 2017 ended with 33% of the analysts having a buy recommendation, 48% being neutral, and 19% having a sell recommendation on shares of the Adecco Group.

Shareholder base

The Adecco Group continues to have a broad investor base, made up of approximately 16,000 shareholders. Our top 20 shareholders held approximately 45% of the issued and outstanding share capital as of year end 2017. European institutional investors had increased their holdings in the Adecco Group to 46% of shares issued at the end of 2017, compared to 44% at the end of 2016 and 42% at the end of 2015. The percentage held by North American institutions was stable at 28%. The number of shares in issue at year end 2017 was 171,156,187.

Shareholder concentration

as of year end 2017	in % of shares issued
Top 5 investors	18%
Rest of top 10 investors	12%
Rest of top 20 investors	15%
Rest of top 50 investors	18%
Others	37%

Shareholder structure

as of year end, in % of shares issued	2017	2016
Institutional		
• Europe	**46%**	44%
• North America	**28%**	28%
• Rest of World	**4%**	5%
Retail	**10%**	12%
Insider and Treasury	**3%**	1%
Unassigned	**9%**	10%

Share performance report

During 2017, the Adecco Group share price increased by 12%, underperforming the SMI by 2% and a basket of our key competitors[1] by 15%. Compared to the prior year, which was marked by significant stock market volatility, the Adecco Group share price was more stable; trading in a range of approximately 17% from high to low.

Performance for most of the first half of 2017 was positive, with Adecco Group shares rising from CHF 66.65 on 30 December 2016 to a high of CHF 77.45 on 10 May 2017. During this period, global stock markets were supported by a combination of rising expectations of US fiscal stimulus, improving European macroeconomic indicators and declining political uncertainty in Europe. Adecco Group reported good Q4 2016 and Q1 2017 results during the period. The shares outperformed the SMI and traded in line with key competitors.

The first half closed on a weaker note, as hopes of US fiscal stimulus faded and the global stock market rally partly reversed previous gains. Adecco Group shares declined to CHF 72.90 on 30 June 2017.

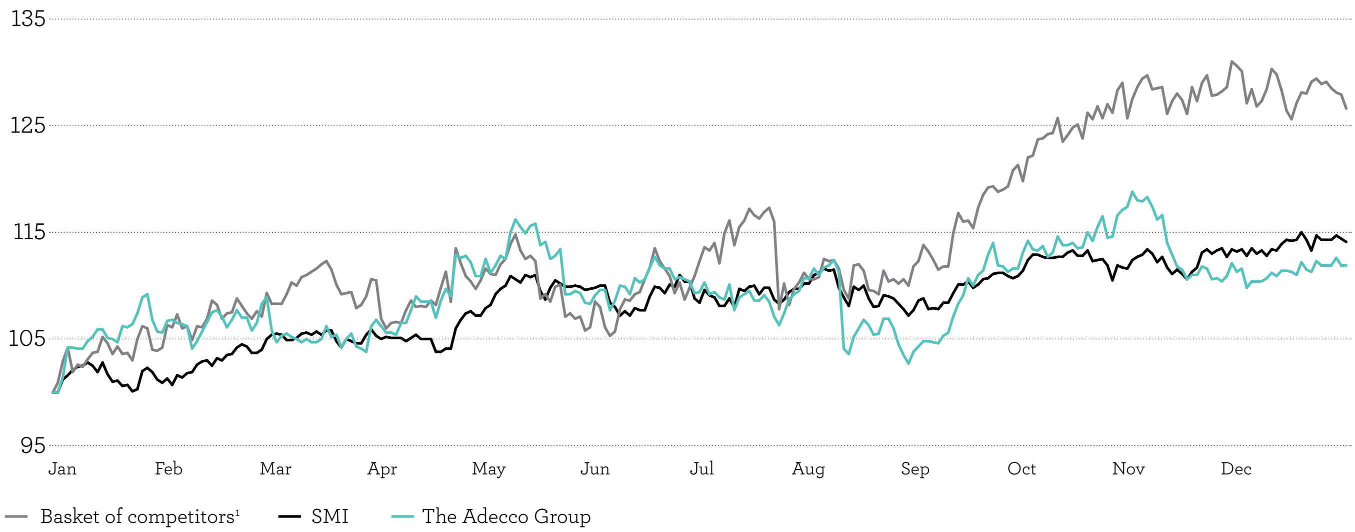
The second half began in a similar fashion, with stock markets drifting lower. Adecco Group shares were particularly weak following Q2 2017 results, on 10 August 2017, with the absence of an acceleration in organic growth weighing on sentiment. The shares hit an intra-year low of CHF 68.45 on 29 August 2017.

From early September 2017 to late October, Adecco Group shares performed strongly, reaching a high of CHF 79.15, supported by further improvements in macro data, especially in Europe, and positive investor sentiment following the Capital Markets Day on 22 September. Another period of market weakness followed in November, before a modest rally into the year end.

Adecco Group shares closed the year at CHF 74.55. This represents a share price performance of 12% or a total shareholder return (TSR) of 16%, when measured in Swiss Francs; the TSR for the year was 6% when translated into Euros. The Adecco Group's market capitalisation, based on issued shares, was CHF 12.8 billion at the end of 2017, compared with CHF 11.4 billion at the end of 2016.

Adecco Group share price 2017 in CHF

Share price performance comparison 2017 in CHF, indexed to 100



1 Randstad and Manpower (market capitalisation weighted, in CHF).

Dividend policy

We have a progressive dividend policy, which comprises two components. First, as earnings grow over time, our dividend per share (DPS) will also grow, within the bounds of a pay-out ratio of 40-50% of adjusted earnings per share (EPS). Second, we are committed to holding our Swiss Franc DPS at least in line with the prior year, even if EPS temporarily declines and the pay-out ratio is exceeded.

For 2017, a dividend of CHF 2.50 will be proposed to shareholders at the Annual General Meeting on 19 April 2018 and represents a pay-out ratio of 46% of 2017 adjusted EPS.

Additional capital returns

In addition to our annual dividend payments, at the end of each year we will review our financial position and return excess capital to shareholders. The Adecco Group has previously undertaken capital returns by way of four share buyback programmes:

- EUR 400 million in June 2012 (completed in September 2013);
- EUR 250 million in September 2013 (completed in November 2014);
- EUR 250 million in November 2014 (completed in January 2016);
- EUR 300 million in March 2017 (completed in March 2018).

The Adecco Group ended 2017 with a strong financial position. Net debt amounted to EUR 994 million and the ratio of net debt to EBITDA excluding one-offs was 0.8x at 31 December 2017. Given this position, and also reflecting the cash outflow relating to the acquisition of Vettery in Q1 2018, the Board of Directors has decided to launch a new share buyback programme of up to EUR 150 million.

Share valuation data

	2017	2016	2015	2014	2013
Valuation metrics					
P/E ratio	**13.6**	14.8	n.m.	15.8	18.7
EV/EBITA ratio	**10.3**	10.5	11.1	11.9	14.4
Dividend yield	**3.4%**	3.6%	3.5%	3.1%	2.8%
Share price (CHF)					
Year end	**74.55**	66.65	68.90	68.85	70.60
Year high	**79.15**	67.90	83.60	78.60	70.60
Year low	**67.55**	45.01	59.35	58.85	47.72
Total shareholder return					
TSR in CHF	**15.5%**	-0.9%	2.9%	0.2%	52.3%
TSR in EUR	**5.8%**	1.5%	13.4%	1.8%	51.0%
In CHF millions					
Market capitalisation[2]	**12,760**	11,408	12,021	12,330	13,362
Enterprise value[3]	**13,923**	12,357	13,154	13,495	14,704
In EUR millions[4]					
Market capitalisation[2]	**10,906**	10,662	11,028	10,275	10,863
Enterprise value[3]	**11,900**	11,549	12,067	11,246	11,954

2 Market capitalisation based on issued shares, at year end.

3 Enterprise value equals market capitalisation plus net debt, at year end.

4 Exchange rates EUR/CHF 2017: 1.17; 2016: 1.07; 2015: 1.09; 2014: 1.20; 2013: 1.23.

Governance

Leading by example

Applicable Corporate Governance standards

This Corporate Governance disclosure reflects the requirements of the Directive on Information Relating to Corporate Governance, issued by the SIX Swiss Exchange as amended on 13 December 2016. The principles and the more detailed rules of Adecco Group AG's Corporate Governance are defined in Adecco Group AG's Articles of Incorporation (AoI), its Internal Policies and Organisational Rules, and in the Charters of the Committees of the Board of Directors (Board). Adecco Group AG's principles as a general rule take into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance as amended in 2016.

Additionally, on 20 November 2013, the Swiss Federal Council approved the Ordinance Against Excessive Compensation at Listed Corporations (the Ordinance) which entered into force on 1 January 2014. The Ordinance was issued to implement the key elements of the so-called Minder-Initiative, a constitutional amendment approved by the Swiss electorate in March 2013.

The Ordinance is applicable to listed companies with a registered office in Switzerland and has introduced a number of obligations and requirements such as (i) the individual and yearly election of the members of the Board, the Chair, the members of the remuneration committee and the independent proxy agent by the shareholders, (ii) the amendment of the AoI, (iii) the content of the Remuneration Report, (iv) an annual binding say of the shareholders on the compensation of the members of the Board and of the Executive Committee (EC), and (v) provisions regarding employment terms. The Ordinance forbids certain compensation payments (such as severance payments) and obliges pension funds to exercise their voting rights and to disclose their voting behaviour. Non-compliance with the provisions of the Ordinance may entail criminal sanctions.

Statements throughout this Corporate Governance disclosure using the term "the Company" refer to the Adecco Group, which comprises Adecco Group AG, a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which the Adecco Group is considered the primary beneficiary.

Corporate Governance information is presented as of 31 December, unless indicated otherwise, as the statutory fiscal year of Adecco Group AG is the calendar year.

The Corporate Governance information included in this report is presented in Euro, except for information on shares, share capital and dividends, which is provided in Swiss Francs. Income, expenses and cash flows are translated using average exchange rates for the period, or at transaction exchange rates, and assets and liabilities are translated using the year-end exchange rates.

Corporate Governance

Structure, shareholders and capital

1. Structure and shareholders

1.1 Legal and management structure

Adecco Group AG is a stock corporation (Aktiengesellschaft) organised under the laws of Switzerland with its registered office at Bellerivestrasse 30, 8008 Zürich, Switzerland.

Adecco Group AG is listed on the SIX Swiss Exchange (symbol ADEN, security number 1213860; ISIN CH0012138605). As of 31 December 2017, the market capitalisation of Adecco Group AG, based on the number of shares issued, including treasury shares, and the closing price of shares on the SIX Swiss Exchange, amounted to approximately CHF 12.8 billion. On 5 March 2018, this market capitalisation amounted to approximately CHF 12.0 billion.

The Company is the world's leading provider of workforce solutions including temporary staffing, permanent placement, outsourcing, career transition and other services.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison, which correspond to the primary segments. This structure is complemented by business lines.

The segments consist of: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Lee Hecht Harrison; and the Rest of World segments (comprising Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India).

The business lines consist of: General Staffing (Office, Industrial) and Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), as well as Solutions. Solutions comprises Career Transition & Talent Development (CTTD), and Business Process Outsourcing (BPO), which includes Managed Service Programmes (MSP), and Recruitment Process Outsourcing (RPO) and Digital. BPO included Vender Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger of Beeline with IQNavigator. The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

The Company provides services to businesses and organisations located throughout Europe, North America, Asia Pacific, Latin America and North Africa.

As of 1 January 2018, the Company's EC was composed as follows:

- Alain Dehaze, Chief Executive Officer;
- Hans Ploos van Amstel, Chief Financial Officer;
- Christophe Catoir, Regional Head of France;
- Federico Vione, Regional Head of North America, UK & Ireland General Staffing;
- John L. Marshall III, Regional Head of North America, UK & Ireland Professional Staffing;
- Mark De Smedt, Regional Head of Northern Europe;
- Sergio Picarelli, Regional Head of Italy, Eastern Europe & MENA;
- Ian Lee, Regional Head of Asia Pacific;
- Enrique Sanchez, Regional Head of Iberia & Latin America;
- Franz-Josef Schürmann, Chief Sales and Innovation Officer;
- Shanthi Flynn, Chief Human Resources Officer (until 30 April 2018);
- Stephan Howeg, Chief Marketing & Communications Officer;
- Rob James, Chief Information Officer.

The Company comprises numerous legal entities around the world. The major consolidated subsidiaries of the Adecco Group are listed on page 148 of this Annual Report. No subsidiary has shares listed on a stock exchange.

1.2 Significant shareholders

As of 31 December 2017, the total number of shareholders directly registered with the share register of Adecco Group AG was approximately 14,000; the major shareholders and their shareholdings were disclosed to Adecco Group AG as listed in the following table.

Please note that percentages of shareholdings refer to the date of disclosure unless indicated otherwise, up to 31 December 2017, and may have changed in the meantime.

For further details pertaining to the below listed disclosures, refer to the following websites:

https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ADECCO
or
http://adeccogroup.com/investors/shareholder-debt-info/disclosure-shareholding/
or
http://ir.adeccogroup.com.

Investor	Date of SIX publication	Percentage of voting rights as disclosed
Adecco Group AG	**22.12.2017**	**3.04% equity, 0.48% sale positions**
Akila Finance S.A.	**28.05.2014**	**4.31% equity, 0.26% sale positions[1,2]**
Group BlackRock Inc.[3]	**01.12.2017**	**5.09% purchase positions, 0.03% sale positions**
Invesco Limited, Bermuda	**01.08.2017**	**3.01% purchase positions**
MFS Investment Management	**02.02.2017**	**Falling below threshold of 3%**
The Capital Group Companies, Inc.	**12.05.2017**	**Falling below threshold of 3%**

1 Beneficial owners have been disclosed.

2 As per current share capital: 4.77% equity, 0.29% sale positions.

3 Between 1 January 2017 and 31 December 2017, the Company has received a number of disclosure notifications of BlackRock Inc. New York, falling below as well as surpassing the 5% threshold. For further notifications of BlackRock Inc. and details see the links as indicated above.

As of 31 December 2017, Adecco Group AG is not aware of any person or legal entity, other than those stated above, that directly or indirectly owned 3% or more of voting rights in Adecco Group AG, as defined by the Swiss disclosure requirements. Adecco Group AG is not aware of shareholders' agreements, other than those described in the aforementioned disclosures, between its shareholders pertaining to Adecco Group AG shares held.

According to Art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading ("FMIA"; applicable since 1 January 2016), anyone who directly or indirectly or acting in concert with third parties acquires or disposes of shares or acquisition or sale rights relating to shares of a company with its registered office in Switzerland whose equity securities are listed in whole or in part in Switzerland, or of a company with its registered office abroad whose equity securities are mainly listed in whole or in part in Switzerland, and thereby reaches, falls below or exceeds the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights, whether exercisable or not, must notify this to Adecco Group AG and to the Disclosure Office of the SIX Swiss Exchange. Such notification must be made no later than four trading days after the obligation to disclose arises.

For further information refer to section 7.1.

1.3 Cross-shareholdings

As of 31 December 2017, there were no cross-shareholdings exceeding 5% of a party's share capital.

2. Capital structure

2.1 Share capital

At the Annual General Meeting of Shareholders (AGM) of 20 April 2017, shareholders approved the reduction of CHF 0.90 of the nominal value of the Adecco Group AG share, which became effective on 18 July 2017.

As of 31 December 2017, the share capital of Adecco Group AG registered with the Commercial Register amounted to CHF 17,115,618.70 divided into 171,156,187 fully paid up registered shares with a nominal value of CHF 0.10 per share.

2.2 Authorised and conditional capital

At the AGM of 20 April 2017, the Company's shareholders approved, all effective 18 July 2017:

- the creation of authorised capital in an amount not to exceed CHF 855,780.90 through the issuance of up to 8,557,809 fully paid registered shares with a nominal value of CHF 0.10 per share by not later than 30 April 2019;
- the deletion of conditional capital (4,166,804 registered shares) reserved for further exercise of option rights granted to employees and members of the Board of Adecco Group AG or of its affiliated companies;
- the reduction of the conditional capital of CHF 15,400,000 to CHF 1,540,000. The number of shares under the conditional capital remains unchanged (15,400,000 shares), whilst the nominal value of each share under the conditional capital is reduced from CHF 1.00 to CHF 0.10. The shares under the conditional capital are reserved for the exercise of option or conversion rights granted in relation to financial instruments such as bonds or similar debt instruments of Adecco Group AG or its affiliates. The subscription rights of the shareholders regarding the subscription of the shares are excluded. The shareholders' preferential bond subscription rights in the issue of the bonds or similar debt instruments may be limited or excluded by the Board. The conditional capital is available for share issuance upon conversion of financial instruments Adecco Group AG or its subsidiaries may issue in the future.

For details on the terms and conditions of the issuance/creation of shares under authorised/conditional capital, refer to Art. 3^{bis} and 3^{quater} of the AoI (http://aoi.adeccogroup.com).

Structure, shareholders and capital continued

2.3 Changes in share and conditional capital

Adecco Group AG's share, authorised and conditional capital structure as of the dates indicated below were as follows:

	Issued shares		Authorised capital		Conditional capital	
in CHF millions, except shares	Shares	Amount	Shares	Amount	Shares	Amount
1 January 2015	**179,081,810**	**179.1**			**19,566,804**	**19.6**
Share cancellation	(4,606,873)	(4.6)				
31 December 2015	**174,474,937**	**174.5**			**19,566,804**	**19.6**
Share cancellation	(3,318,750)	(3.3)				
31 December 2016	**171,156,187**	**171.2**			**19,566,804**	**19.6**
31 December 2017	**171,156,187**	**17.1**	**8,557,809**	**0.9**	**15,400,000**	**1.5**

Note that the nominal value of each registered share has been reduced effective 18 July 2017, see sections 2.1 and 2.4.

2.4 Shares and participation certificates

Effective 18 July 2017, Adecco Group AG shares have a nominal value of CHF 0.10 each. All shares are fully paid registered shares and bear the same dividend and voting rights. Pursuant to Art. 7 of the AoI (http://aoi.adeccogroup.com), the right to vote and all other rights associated with a registered share may only be exercised by a shareholder, usufructuary or nominee who is registered in the share register as the shareholder, usufructuary or nominee with right to vote.

As of 31 December 2017, there were no outstanding participation certificates.

2.5 Bonus certificates

Adecco Group AG has not issued bonus certificates (Genussscheine).

2.6 Limitations on registration, nominee registration and transferability

Each Adecco Group AG share represents one vote.

Acquirers of registered shares are recorded in the share register as shareholders with the right to vote upon request, provided that they declare explicitly to have acquired the registered shares in their own name and for their own account (Art. 4 sec. 2 of the AoI; http://aoi.adeccogroup.com). Upon such declaration, any person or entity will be registered with the right to vote.

The Board may register nominees with the right to vote in the share register to the extent of up to 3% of the registered share capital as set forth in the Commercial Register. Registered shares held by a nominee that exceed this limit may be registered in the share register if the nominee discloses the names, addresses and the number of shares of the persons for whose account it holds 0.5% or more of the registered share capital as set forth in the Commercial Register. Nominees within the meaning of this provision are persons who do not explicitly declare in the request for registration to hold the shares for their own account or with whom the Board has entered into a corresponding agreement (refer to Art. 4 sec. 3 of the AoI; http://aoi.adeccogroup.com). The Board may grant exemptions to this registration restriction (refer to Art. 4 sec. 6 of the AoI; http://aoi.adeccogroup.com). In 2017, there were no such exemptions granted.

Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management, or otherwise linked, as well as individuals or corporate bodies and partnerships who act together to circumvent the regulations concerning the nominees (especially as syndicates), are treated as one nominee, respectively as one person within the meaning of this article (refer to Art. 4 sec. 4 of the AoI; http://aoi.adeccogroup.com).

For further information regarding the procedure and conditions for cancelling statutory privileges and limitations on transferability of shares, refer to the AoI; http://aoi.adeccogroup.com.

Board of Directors, Executive Committee and compensation

3. Board of Directors

As of 31 December 2017, the Board of Adecco Group AG consisted of eight members. All members qualify as independent and non-executive members (see below 3.2).

Rolf Dörig GNC
Chair

Kathleen Taylor GNC AC CC
Vice-Chair

Jean-Christophe Deslarzes AC CC

Ariane Gorin AC

Alexander Gut CC GNC
Chair of the Compensation Committee

Didier Lamouche AC

David Prince AC GNC
Chair of the Audit Committee

Wanda Rapaczynski GNC CC
Chair of the Governance and Nomination Committee

GNC	Governance and Nomination Committee
AC	Audit Committee
CC	Compensation Committee

Board of Directors, Executive Committee and compensation continued

3.1 Biographies of members of the Board of Directors

The following sets forth the name, year of birth, entry date, nationality, professional education and principal positions of those individuals who served as members of the Board as of 31 December 2017. All members are elected for a one-year term of office until the end of the next Annual General Meeting of Shareholders.

Rolf Dörig

- Swiss national, born 1957.
- Rolf Dörig has been a member of the Board of Directors since May 2007. He has served on various committees and has been Chair of the Board of Directors since January 2009.
- Rolf Dörig obtained a doctorate degree in law (Dr. iur.) from the University of Zurich, Switzerland, and was subsequently admitted to the Bar. He also completed the Advanced Management Program at Harvard Business School (Boston), USA.
- After joining Credit Suisse in 1986, he held a number of executive positions in various areas of banking and different geographical markets. As a member of the Group Executive Board, he was assigned responsibility for Swiss corporate and retail banking from 2000 onwards. In 2002, he held the position of Chairman Switzerland. Rolf Dörig was Chief Executive Officer of the Swiss Life Group from November 2002 until May 2008, when he was elected to the Board of Directors.
- Rolf Dörig is Chairman of the Board of Directors of Swiss Life Holding AG[1], Vice-Chairman of the Board of Directors of dormakaba Holding AG[1], member of the Board of Directors of Emil Frey Holding AG, all in Switzerland, and member of the Supervisory Board of Danzer Holding AG in Austria. In June 2017, Rolf Dörig was appointed Chairman of the Swiss Insurance Association (SIA). Furthermore, he is a member of the Board Committee of economiesuisse, Switzerland.

Kathleen Taylor

- Canadian national, born 1957.
- Kathleen Taylor has been a member of the Board of Directors and a member of the Audit Committee since April 2015 and Vice-Chair and a member of the Compensation Committee and the Governance and Nomination Committee since April 2017.
- Kathleen Taylor obtained a Master's degree in Business Administration from Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) degree from the University of Toronto, all in Canada.
- Kathleen Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts, Canada, where she served in a variety of senior leadership roles from 1989 to 2013.
- Kathleen Taylor has been a member of the Board of the Royal Bank of Canada[1] since November 2001, and its Chair since January 2014. She has been a director of the Canada Pension Plan Investment Board since October 2013 and a director of Air Canada[1] since May 2016.
- Kathleen Taylor is Chair of the Board of the SickKids Hospital Foundation, Canada, and a member of the Hospital's Board of Trustees. She is also a member of the Principal's International Advisory Board of McGill University and of the Dean's Advisory Council of the Schulich School of Business of York University, both in Canada. She is a member of the National Council of the C.D. Howe Institute, Canada, and the Co-Chair of its Human Capital Policy Council.

1 Listed company.

Jean-Christophe Deslarzes

- Swiss national, born 1963.
- Jean-Christophe Deslarzes has been a member of the Board of Directors and member of the Audit Committee since April 2015 and of the Compensation Committee (before Nomination and Compensation Committee) since April 2016.
- Jean-Christophe Deslarzes holds a master's degree in Law from the University of Fribourg, Switzerland.
- Jean-Christophe Deslarzes began his career in 1991 as a tax and legal consultant at Arthur Andersen in Geneva, Switzerland. From 1994 to 2010, he worked at Rio Tinto and its predecessor companies, Alcan and Alusuisse, in human resources and management roles in Europe and Canada, including as Senior Vice President Human Resources and member of the Executive Committee of Alcan Group as well as President and CEO, Downstream Aluminium Businesses, Rio Tinto, based in Montreal. He served as Chief Human Resources and Organisation Officer and member of the Executive Board at Carrefour Group, based in Paris, from 2010 to 2013. Since November 2013, Jean-Christophe Deslarzes has been Chief Human Resources Officer and member of the Executive Committee of ABB Group[1], based in Zurich, Switzerland.

Ariane Gorin

- French and United States national, born 1974.
- Ariane Gorin has been a member of the Board of Directors and a member of the Audit Committee since April 2017.
- She obtained an MBA degree from Kellogg School of Management, Northwestern University, Evanston, IL, USA and a Bachelor degree in Economics from University of California, Berkeley, CA, USA.
- Since 2013, Ariane Gorin has been member of the management team of Expedia Inc.[1], headquartered in Washington, USA. In 2017 Ariane Gorin was named President of the Expedia Partner Solutions brand. Previously, she was Senior Vice President and General Manager, Expedia Affiliate Network brand, based in London, UK. She is a member of Expedia's Travel Leadership Team.
- From 2003 to 2013, Ariane Gorin served in various functions in Microsoft Corporation[1], USA: initially as Strategic Initiatives Manager for the Enterprise Services Division in Europe, Middle East and Africa, thereafter as Business Manager Western Europe, and from 2007 to 2010 as Marketing Director and then Sales Director Small and Midmarket Business and Distribution for France, and finally from 2010 to 2013 as Director Office Products and Services for France, based in Paris, France.
- From 2000 to 2002 Ariane Gorin served as consultant at The Boston Consulting Group in France and in the USA.

Alexander Gut

- British & Swiss national, born 1963.
- Alexander Gut has been a member of the Board of Directors since May 2010. He has served on various committees and has been Chair of the Compensation Committee (before Nomination and Compensation Committee) since April 2015 and a member of the Governance and Nomination Committee since April 2017.
- Alexander Gut holds a doctorate degree in business administration (Dr. oec. publ.) from the University of Zurich, Switzerland, and is a Swiss Certified Accountant.
- From 1991 to 2001 he was with KPMG in Zurich and London and from 2001 to 2003 with Ernst & Young in Zurich, where he became a partner in 2002. From 2003 to 2007 he was a partner with KPMG in Zurich, where he became a member of the Executive Committee of KPMG Switzerland in 2005.
- Alexander Gut is the founder and managing partner of Gut Corporate Finance AG. Furthermore, he is a member of the Board of Directors of Credit Suisse Group[1], Credit Suisse (Switzerland) AG and SIHAG Swiss Industrial Holding AG, all in Switzerland.

Didier Lamouche

- French national, born 1959.
- Didier Lamouche has been a member of the Board of Directors since April 2011. He has been a member of the Audit Committee since April 2017. He was a member of the Corporate Governance Committee from April 2011 until April 2017.
- Didier Lamouche obtained a PhD and Engineer Degree in semiconductor technology from Ecole Centrale de Lyon, France.
- He was CEO of Altis Semiconductor from 1998 to 2003. From 2003 to 2005, he held the position of Vice President of Worldwide Semiconductor Operations at IBM Microelectronics. From 2005 to 2010, Didier Lamouche was Chairman and Chief Executive Officer at Bull. He was a member of the Board of Directors of STMicroelectronics from 2006 to 2010. From November 2010 until March 2013, he was Chief Operating Officer and Vice-Chairman of the Corporate Strategic Committee of STMicroelectronics, Switzerland. In addition to this role, from December 2011 until March 2013, he was President of the Executive Board and CEO of ST-Ericsson S.A., Switzerland. Since April 2013, he has been CEO of Idemia (formerly Oberthur Technologies), France.
- Didier Lamouche has held numerous mandates as non-executive director at boards of various listed and non-listed companies.

1 Listed company.

David Prince

- British national, born 1951.
- David Prince has been a member of the Board of Directors since June 2004. He has served on various committees and has been Chair of the Audit Committee since April 2015 and a member of the Governance and Nomination Committee since April 2017.
- David Prince is an associate member of the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Purchasing and Supply (CIPS).
- He started his career in the oil and gas industry as part of a management trainee scheme at British Gas, later attending business school in the UK. Following accountancy roles at Philips Industries and TRW, he joined Cable & Wireless, holding accountancy, general management and group marketing positions in the UK and in Hong Kong. From 1994 to 2000, he worked for Hong Kong Telecom plc (HKT) as Group Finance Director, followed by an appointment as Deputy CEO. In 2000, David Prince became Group CFO of PCCW plc, Hong Kong. From 2002 to 2004, he worked for Cable & Wireless as Group Finance Director. Since 2004 he has acted as investment advisor to companies based in Asia, China and Australia.
- David Prince was a member of the Board of Directors and Chairman of the Audit Committee of ARK Therapeutics, UK until March 2013, and is a member of the Board of Directors of SmarTone Telecommunications Holdings Ltd[1], Hong Kong and of various companies in the Wilson Parking Group, Australia. He has been a non-executive director of the Board of Sunevision Holdings Ltd., Cayman Islands[1] since October 2016.

Wanda Rapaczynski

- United States national, born 1947.
- Wanda Rapaczynski has been a member of the Board of Directors since May 2008. She has been Chair of the Governance and Nomination Committee since April 2017 and member of the Compensation Committee (before Nomination and Compensation Committee) since April 2011. She was Chair of the Corporate Governance Committee from April 2011 until April 2017.
- Wanda Rapaczynski holds a Master's degree in management from Yale University, USA and a PhD in psychology from the City University of New York, USA. Wanda Rapaczynski was a postdoctoral fellow at the Educational Testing Service at Princeton University, USA. Between 1980 and 1982, she held the position of Project Director at the Family Television Research and Consultation Center at Yale University, USA.
- She held leading positions at Citibank and was co-founder and Chief Executive Officer of the Polish media group Agora S.A.[1], Poland, where she currently serves as Member of the Supervisory Board.

Board of Directors, Executive Committee and compensation continued

3.2 Other activities and vested interests of the Board of Directors

Except those described in section 3.1 "Biographies of members of the Board of Directors", no permanent management/consultancy functions for significant domestic or foreign interest groups, and no significant official functions or political posts are held by the members of the Board of Adecco Group AG. The Board regularly assesses the independence of its members.

As of 31 December 2017, all members of the Board were independent and non-executive, none of them (i) having been in an executive function with the Company during the past three years, or (ii) having any other significant or important business relation with the Adecco Group, or (iii) having served directly or indirectly as or for the auditors of the Adecco Group.

The Company provides services in the normal course of business at arm's length terms to entities that are affiliated with certain of its officers, members of the Board and significant shareholders through investment or board directorship.

The AoI (Art. 16 sec. 4; http://aoi.adeccogroup.com) limit the number of mandates that may be assumed by members of the Board in directorial bodies of legal entities not affiliated with the Company. All members of the Board have complied with these requirements.

3.3 Elections and terms of office

Pursuant to the AoI, the Board consists of at least five members (Art. 16 sec. 1 of the AoI; http://aoi.adeccogroup.com). Members of the Board are elected individually for a term of office of one year, until the end of the next AGM, and may be re-elected for successive terms (Art. 16 sec. 2 of the AoI; http://aoi.adeccogroup.com). Adecco Group AG's AoI do not limit the number of terms a member may be re-elected to the Board. Candidates to be elected or re-elected to the Board are proposed by the Board to the AGM.

In advance of any candidates of the Compensation Committee being proposed by the Board to the AGM for individual election, the Board reviews and confirms the specific independence of the committee's members-to-elect.

The AGM elects individually the members of the Board, its Chair and the members of its Compensation Committee.

As of 31 December 2017, the Board is composed of eight non-executive members.

3.4 Internal organisational structure

The Board holds the ultimate decision-making authority of Adecco Group AG for all matters except those reserved by law or the AoI to the shareholders. It determines the overall strategy of the Company and supervises the management of the Company.

The Board operates under the direction of its Chair. He sets the agenda of the Board's meetings. Any member of the Board may request that an item be included on the agenda. The Chair further ensures that the members of the Board are provided, in advance of meetings, with adequate materials to prepare for the items on the agenda. The Board recognises the importance of being fully informed on material matters involving the Company and seeks to ensure that it has sufficient information to make appropriate decisions through, at the decision of the Chair, inviting members of management or other individuals to report on their areas of responsibility, conducting regular meetings of the respective committees of the Board with management, and retaining outside consultants and independent auditors (Auditors) where appropriate, as well as through regular distribution of important information to its members. The Chair also co-ordinates the committees' work and receives the agenda and minutes of their meetings.

On behalf of the Board, the Chair exercises the ongoing overall supervision and control of the course of business and the activities of the EC; he conducts a regular exchange with the CEO. He is in charge of chairing the AGM and communication with shareholders as well as, together with the CEO, other third parties.

The Board's committees are the Audit Committee, the Governance and Nomination Committee, and the Compensation Committee (before April 2017 the Corporate Governance Committee (CGC) and the Nomination and Compensation Committee (NCC), as described in the Corporate Governance section of the 2016 Annual Report).

At its meetings, the Board receives reports on its committees' work, findings, proposals and decisions. Decisions are taken by the Board as a whole, with the support of the respective committee. The Chair has a casting vote. If a member of the Board has a personal interest in a matter, other than an interest in his/her capacity as a shareholder of Adecco Group AG, adequate measures are taken; such measures may include abstention from voting, where adequate. Amongst others, the Board has established a Policy on Insider Trading as well as rules on Conflicts of Interest. The compliance with such rules is closely monitored.

Each committee has a written charter outlining its duties and responsibilities, and regularly meets with management and, where appropriate, outside consultants. Committee members are provided, in advance of meetings, with adequate materials to prepare for the items on their agenda.

The Board of Directors, in line with best practices, is continuously reviewing the allocation of tasks of its committees.

In 2017, the Board held 10 meetings and phone conferences.

Number and duration of meetings and phone conferences during 2017:

	Full Board of Directors	Audit Committee	Corporate Governance Committee until incl. 20 April 2017	Governance and Nomination Committee since 21 April 2017	Nomination and Compensation Committee until incl. 20 April 2017	Compensation Committee since 21 April 2017
Number of meetings in person	6	5	2	3	2	3
Number of phone conferences	4	5			1	
Total number of meetings	**10**	**10**	**2**	**3**	**3**	**3**
Average duration in hours:						
• Meetings in person	6	2½	½	2	2	1½
• Phone conferences	½	1			1	

Attendance at meetings and phone conferences during 2017:

	until incl. 20 April 2017				since 21 April 2017			
	Full Board of Directors	Audit Committee	Corporate Governance Committee	Nomination and Compensation Committee	Full Board of Directors	Audit Committee	Governance and Nomination Committee	Compensation Committee
Number of meetings in total	**2**	**4**	**2**	**3**	**8**	**6**	**3**	**3**
Rolf Dörig	2	4[1]	2[1]	3[1]	8	6[1]	3	3[1]
Kathleen Taylor	2	4	1[1]		8	6	3	3
Jean-Christophe Deslarzes	2	4		3	8	6		3
Ariane Gorin[2]	1[1]	1[1]			8	6		
Alexander Gut	2	4		3	8		3	3
Didier Lamouche	1		1		7	6		
David Prince	2	4	2		8	6	3	
Wanda Rapaczynski	2		2	3	8		3	3
Dominique-Jean Chertier[3]	2	4						
Thomas O'Neill[3]	2		1	2				

1 Guest, without voting right.

2 Member of the Board of Directors since 20 April 2017.

3 Member of the Board of Directors until 20 April 2017.

The Board has discussed and assessed its own (including its committees') and its members' performance. The Board concluded that the Board performed well and has the necessary resources and capacities available.

Board of Directors, Executive Committee and compensation continued

3.4.1 Governance and Nomination Committee (GNC)

The GNC's primary responsibility is to assist the Board in carrying out its responsibilities as they relate to strategy, governance, public and corporate social responsibility, business environment, relations with shareholders and other stakeholders, nomination, succession and talent development. The GNC is charged with:

- Supporting the preparation of defining strategic opportunities and priorities for the Group;
- Reviewing the Group's corporate governance structures and principles and independence rules, including principles and measures on Corporate Responsibility, as well as reassessing such principles and rules, including the Group's Code of Conduct, to ensure that they remain relevant and in line with legal and stock exchange requirements; recommendations as to best practice are also reviewed to ensure compliance;
- Overseeing the Group's monitoring of the market and regulatory developments, including questions of market-related risks;
- Analysing the composition and type of shareholders and reviewing, amongst others, the Group's dividend policy;
- Overseeing the Group's initiatives and reviewing the principles related to Corporate Social Responsibility;
- Providing recommendations to the Board regarding its size and composition. For this purpose, the GNC is mandated to develop, based on the needs of the Board and the attributes of its members, criteria (such as independence, industry or other professional expertise, relevant skills and experience, diversity) for the selection of potential candidates to be elected or re-elected as members of the Board and its committees. The GNC is mandated to identify individuals who meet such criteria and to recommend them to the Board as candidates for elections. Furthermore, the GNC is mandated to review candidates proposed and to assess and advise the Board on whether they meet such criteria;
- Providing recommendations to the Board regarding the selection of candidates for the EC;
- Assuring talent development including retention and succession planning;
- Ensuring that self-evaluations of the Board and of its committees are carried out and monitored, with a view to appropriate measures of improvement.

The GNC defines its annual programme and roadmap according to focus topics of the year. In 2017, the GNC (previously CGC, see table on page 71) held five meetings (the CGC held two meetings and the GNC held three meetings). The CEO represents the EC in the meetings. The Chief Human Resources Officer typically participates in the meetings for specific topics.

As of 31 December 2017, the members of the GNC were:

Name	Position
Wanda Rapaczynski	Chair of the GNC
Rolf Dörig	Member
Alexander Gut	Member
David Prince	Member
Kathleen Taylor	Member

3.4.2 Audit Committee (AC)

The AC's primary responsibility is to assist the Board in carrying out its responsibilities as they relate to the Company's accounting policies, internal controls and financial reporting practice, thus overseeing management regarding the:

- Integrity of the Company's financial statements and other financial reporting and disclosure to any governmental or regulatory body and to the public and other users thereof;
- Adequacy and effectiveness of the systems of the Internal Controls Over Financial Reporting (ICOFR) and of the disclosure controls;
- Performance of the Company's internal audit function;
- Qualifications, engagement, compensation, independence and performance of the Company's Auditors, their conduct of the annual audit and their engagement for any other services (refer to section 8. "Auditors"); and
- Company's compliance with legal and regulatory requirements relating to accounting, auditing, financial reporting and disclosure, or other financial and non-financial matters.

The AC has established a roadmap which determines the committees' main discussion topics throughout the year. In 2017, the AC held 10 meetings and phone conferences. For specific subjects, the CEO represents the EC in the meetings. The Chief Financial Officer (CFO), the Senior Vice President Integrated Reporting & Business Planning, the Head of Group Internal Audit and the partners of the Auditors typically participate in the meetings. For legal and compliance reporting matters, the Group General Counsel and the Head of Group Compliance Reporting participate in the meetings. Usually, the Board's Chair participates in the Committee's meetings as guest without voting right.

As of 31 December 2017, the members of the AC were:

Name	Position
David Prince	Chair of the AC
Jean-Christophe Deslarzes	Member
Ariane Gorin	Member
Didier Lamouche	Member
Kathleen Taylor	Member

3.4.3 Compensation Committee (CC)

The CC's primary responsibility is to assist the Board in carrying out its responsibilities as they relate to the Company's compensation matters at executive level. In case of discussions and negotiations on individual compensation packages of the EC, the CC exclusively considers the best interest of the Company. The CC is mainly responsible for the following functions:

- Providing recommendations to the Board regarding the general compensation policy of the Company, including incentive compensation plans and equity-based plans, including plan details pertaining to e.g. holding periods, adjustment procedures, reclaim provisions and cancellation of payments;
- Assisting the Board in preparing the proposals to be presented to the AGM for approval of remuneration of the Board and of the EC.

In addition to being independent as per paragraph 1 and 2 of section 3.2 and the independence requirements of the Swiss stock exchange, according to the Committee's charter, members of the Committee are considered independent as long as they do not accept any consulting, advisory or other compensatory fee from the Company (other than fees for service on the Board) and are not an affiliated person of the Company.

The CC has established a roadmap which determines the Committee's main discussion topics throughout the year. In 2017, the CC (previously NCC, see table on page 71) held six meetings (the NCC held three meetings and the CC held three meetings). For specific subjects, the CEO represents the EC in the meetings. The Chief Human Resources Officer typically participates in the meetings. Members of management do not participate in CC meetings when their individual compensation matters are discussed. Usually, the Board's Chair participates in the Committee's meetings as guest without voting right.

As of 31 December 2017, the members of the CC were:

Name	Position
Alexander Gut	Chair of the CC
Jean-Christophe Deslarzes	Member
Wanda Rapaczynski	Member
Kathleen Taylor	Member

3.5 Responsibilities of the Board and the CEO

In addition to the determination of the overall strategy of the Company and the supervision of management, the Board addresses key matters such as acquisitions, long-term financial commitments, management structure, risk management, budget approval, compensation policy, corporate identity policy, guidelines and policy statements. The Board approves the strategy and objectives of the Company and the overall structure of the Adecco Group developed by the CEO together with the EC. With the support of the AC, it reviews and approves the statutory financial statements of Adecco Group AG and the consolidated financial statements of the Adecco Group. The Board also considers other matters of strategic importance to the Company. Subject to the powers reserved to the Board, the Board has delegated the co-ordination of the day-to-day business operations of the Company to the CEO. The CEO is responsible for the implementation of the strategic and financial plans approved by the Board and represents the overall interests of the Company vis-à-vis third parties.

3.6 Information and control instruments

The Board's instruments of information and control vis-à-vis management consist of the following main elements:

- All members of the Board regularly receive information about current developments;
- The CEO reports to the Chair of the Board on a regular basis, while extraordinary events are communicated immediately;
- Formal meetings of the Board and of the Board's committees including sessions with the CEO and with other members of the EC or other individuals, at the invitation of the Chair;
- Informal meetings and phone conferences between members of the Board and the CEO, as well as with other members of the EC;
- The management information system of the Company which includes (i) the monthly financial results including key performance indicators and (ii) a structured quarterly operational review of the major countries. Summarised consolidated monthly reports are distributed to each member of the Board; further details are provided to the members of the Board upon request;
- The Group Internal Audit function as established by the Board; the Head of Group Internal Audit reports to the AC and has periodic meetings with its Chair; the responsibilities of Group Internal Audit are defined by the AC as part of their oversight function in coordination with the CEO and CFO. Group Internal Audit is concerned with the assessment of how the Company (i) complies with pertinent laws, regulations and stock exchange rules relating to accounting, auditing, financial reporting and disclosure or other financial matters, (ii) conducts its related affairs, and (iii) maintains related controls. The Company has a risk management process in place which is adequate for the size, complexity and risk profile of Adecco Group AG and focuses on managing risks as well as identifying opportunities: refer to the Company Report, section "Risk management and principal risks" and to Note 18 "Enterprise risk management" to the consolidated financial statements of the Adecco Group. The process is embedded in the Company's strategic and organisational context and covers the significant risks for the Company including financial, operational and strategic risks. The Board oversees the management's risk analysis and the key measures taken based on the findings of the risk review process;
- External Audit: refer to section 8. "Auditors".

Board of Directors, Executive Committee and compensation continued

4. Executive Committee

Standing from left to right: Stephan Howeg, Federico Vione, Franz-Josef Schürmann, Shanthi Flynn, Hans Ploos van Amstel, Sergio Picarelli, Ian Lee, Rob James
Front row from left to right: Christophe Catoir, Mark De Smedt, Alain Dehaze, Enrique Sanchez, John L. Marshall III


THE ADECCO GROUP

Board of Directors, Executive Committee and compensation continued

4. Executive Committee

4.1 Biographies of the members of the Executive Committee

The following sets forth the name, year of birth, year of entry to the Company, nationality, professional education and principal positions of those individuals who served as members of the EC of the Company as of 1 January 2018.

Alain Dehaze

- Belgian national, born 1963.
- Chief Executive Officer since September 2015, Regional Head of France from August 2011 to August 2015, Regional Head of Northern Europe from October 2009 to July 2011. Member of the EC since October 2009.
- Alain Dehaze joined the Adecco Group in September 2009 as Regional Head of Northern Europe.
- Alain Dehaze trained as a commercial engineer at the ICHEC Brussels Management School, Belgium.
- From 1987 until 2000, Alain Dehaze held senior positions in a number of European countries at Henkel and ISS. In 2000, he became Managing Director of Creyf's Interim in Belgium (now Start People). From 2002 to 2005, he was Chief Executive Officer of Solvus. Following the acquisition of Solvus by USG People, the Netherlands, in 2005, he became the Chief Operating Officer of USG People, with overall responsibility for operations, including the integration of Solvus. From September 2007 until 2009, he was CEO of the staffing services company Humares, the Netherlands. Since January 2016, Alain Dehaze has been Chair of the Global Apprenticeship Network (GAN). Furthermore, Alain Dehaze was Vice President of the Board of the European Confederation of Private Employment Agencies (Eurociett) and member of the Board of the International Confederation of Private Employment Agencies (Ciett) between December 2010 and December 2015. Since August 2017 he has been a member of the newly formed ILO Global Commission on the Future of Work.

Hans Ploos van Amstel

- Dutch national, born 1965.
- Chief Financial Officer and member of the EC since September 2015.
- Hans Ploos van Amstel holds a Bachelor of Arts from the Economische Hogeschool of Eindhoven, and an MBA in Marketing & Finance from the University of Brabant, both in the Netherlands.
- Hans Ploos van Amstel started his career in Finance at Procter & Gamble (P&G) in the Netherlands in 1989. Between 1992 and 2003, he held positions of increasing responsibility in P&G across Saudi Arabia, Germany, Belgium and Switzerland. In 2003, he joined Levi Strauss & Co. in Belgium, as Vice President Finance & Operation Europe, and moved to the USA as global Chief Financial Officer in 2005. In his most recent position, Hans Ploos van Amstel was CFO of COFRA Group from 2009 to 2013, before acting as co-CEO of C&A Europe for a transition period until 2015.

Christophe Catoir

- French national, born 1972.
- Regional Head of France and member of the EC since September 2015.
- Christophe Catoir joined Groupe Adecco France as Internal Auditor in 1995.
- Christophe Catoir graduated from the IESEG School of Management, France.
- Between 1995 and 2005, Christophe Catoir held positions as Finance Manager and Regional Manager. In 2005, he was appointed Head of Permanent Placement activities in France, and became a member of the Groupe Adecco France management team in 2007. In 2009, Christophe Catoir was appointed Managing Director of Adecco South-East France. In 2012, he was appointed Managing Director for Professional Staffing Groupe Adecco France.

Federico Vione

- Italian national, born 1972.
- Regional Head of North America, UK & Ireland General Staffing since April 2017, Chief Sales & Innovation Officer from October 2015 to March 2017. Regional Head of Italy, Eastern Europe & India from September 2011 to September 2015 (incl. MENA as of 2012), Regional Head of Italy & Eastern Europe from October 2009 to August 2011. Member of the EC since October 2009.
- Federico Vione graduated in economics from Università G. D'Annunzio in Pescara, Italy.
- Federico Vione joined the Adecco Group in 1999 as Branch Manager and was subsequently appointed Manager of the Abruzzo-Molise area. In 2001, he became the National Key Account Manager for the Chemical and Pharma sector, and subsequently for the Large-Scale Trade sector. In 2002, he was appointed General Manager of the Professional Staffing business Ajilon S.r.l., and in 2004 he became General Manager of Ajilon Switzerland. In 2005, Federico Vione was appointed Project Leader Global Account Management of the Adecco Group and subsequently Head of Eastern Europe. In January 2009, he was appointed Country Manager Adecco Italy.
- Federico Vione is Vice President of Assolavoro (Associazione Nazionale delle Agenzie per il Lavoro), Italy.

John L. Marshall III

- United States national, born 1963.
- Regional Head of North America, UK & Ireland Professional Staffing since April 2017 and member of the EC since October 2015. Regional Head of UK & Ireland from October 2015 to March 2017.
- John. L. Marshall III joined the Adecco Group in 2010 as President of the Adecco Group's US Finance, Office and Legal business unit.
- John L. Marshall III holds a Bachelor of Arts degree in Economics and Political Science from the University of Georgia and a Juris Doctorate from the University of Florida, both USA.
- John L. Marshall III was a practising attorney with King & Spalding and AT&T before he joined MPS Group in 1998. He started as Deputy General Counsel with an emphasis on acquisitions and public company reporting. He was promoted to President of Special Counsel in 2001 and named President of Accounting Principals in 2006. The Adecco Group acquired MPS Group in 2010.

Mark De Smedt

- Belgian national, born 1961.
- Regional Head of Northern Europe since January 2016, Chief Human Resources Officer from January 2014 to April 2016. Member of the EC since January 2014.
- Mark De Smedt has a degree in Commercial Engineering from the Free University of Brussels and has attended Executive Education programmes in Chicago, Harvard, INSEAD and the London Business School.
- Mark De Smedt joined the Adecco Group in 2009 as Country Manager for Belgium & Luxembourg. He was previously a founder of Professional Staffing specialist XPE Group, acquired by the Adecco Group. Prior to this, he was responsible for the Adecco Group's Benelux operations between 2002 and 2007. Before Mark De Smedt joined the staffing industry, he held various executive positions at Wang, Apple, Citibank, and Scoot in France, Spain and Belgium.

Sergio Picarelli

- Italian national, born 1967.
- Regional Head of Italy, Eastern Europe & MENA and India since October 2015 (India until December 2017) and since January 2018 globally overseeing Lee Hecht Harrison, Spring Professional and Badenoch & Clark, Chief Sales Officer from October 2009 to September 2015. Member of the EC since October 2009.
- Sergio Picarelli graduated in business administration from Bocconi University, Milan, Italy.
- In 1993, Sergio Picarelli joined the Adecco Group in Italy, starting as Managing Director of an Adecco Group Company (Permanent Placement). In 1997, he was appointed Chief Sales and Marketing Director Italy. From 2002 to 2004 Sergio Picarelli served as Regional Head for Central Europe and was thereafter appointed Chief Operating Officer of the Adecco Group Staffing Division Worldwide. From 2005 to 2009 he served as Country Manager of Adecco Italy & Switzerland (Switzerland until the end of 2008).

Ian Lee

- Singapore national, born 1962.
- Regional Head of Asia Pacific, and member of the EC since January 2018.
- Ian Lee joined the Adecco Group in September 2017.
- Ian Lee gained his Bachelor's degree in Finance with Honours (Magna cum Laude) in 1989 and an MBA in Finance in 1990, both from the Indiana University Kelley School of Business in the USA.
- Ian Lee started his career with Procter & Gamble (P&G) in 1990 in Cincinnati, USA, and subsequently held positions of increasing responsibility in the USA, China and Taiwan. In 2003 he joined the Whirlpool Corporation, holding various positions including VP of Corporate Affairs and Business Development, VP of Asia North, VP and General Manager of China and VP and CFO of Asia.
- Ian is part of the Global Dean's Advisory Council at Indiana University Kelly School of Business and was also Adjunct Professor of Business at Nanjing University, China, from 2010-2012.

Enrique Sanchez

- Spanish national, born 1967.
- Regional Head of Iberia & Latin America and member of the EC since October 2009.
- Enrique Sanchez obtained a degree in psychology at Complutense University, Madrid, Spain, and holds an MBA from IESE, Madrid, Spain.
- Enrique Sanchez joined Adecco Spain in 1993 as Branch Manager. In 1995, he became Regional Manager of the Central Region. In 1997, he was appointed Operations Manager, and in 2001 President and General Manager of Adecco Spain and Portugal. From 2003 to 2005, Enrique Sanchez was General Manager for Spain and Portugal, and was also responsible for the development of the company in Latin America and Eastern Europe. In 2005, he returned to Spain, becoming responsible for the Adecco Group Iberia.

Franz-Josef Schürmann

- German national, born 1969.
- Chief Sales and Innovation Officer since July 2017 and member of the EC since January 2016.
- Franz-Josef Schürmann joined the Adecco Group as Regional Head of Germany, Austria, Switzerland in January 2016.
- Franz-Josef Schürmann graduated in 1995 with a Master of Science degree from Purdue University, USA, where he studied as a Fulbright Scholar. From 1991 to 1995, he studied Agricultural Economics and Business Administration at Bonn University, London University (as an Erasmus Scholar) and Purdue University.
- Franz-Josef Schürmann started his career at Accenture in 1996. As a member of the German and European leadership teams of Accenture, in 2008 he was named Global Client Partner for several DAX 30 companies. From 2010 to 2015, Franz-Josef Schürmann was Country Head of Germany for Infosys Ltd.
- Franz-Josef Schürmann is member of the Board of Directors at AmCham, the American Chamber of Commerce, Germany, and member of the Senate of Acatech, the national academy of science and engineering, Germany.

Board of Directors, Executive Committee and compensation continued

Shanthi Flynn (until 30 April 2018)

- British national, born 1964.
- Chief Human Resources Officer and member of the EC since March 2016.
- Shanthi Flynn joined the Adecco Group as Chief Human Resources Officer in March 2016.
- Shanthi Flynn graduated with a Bachelor of Science with joint honours in Physiology and Pharmacology at the University of Manchester in 1986. She is a graduate of the Institute of Personnel Development (IPD), UK.
- Shanthi Flynn built the foundation of her HR career at Ford Motor Company in the UK between 1986 and 1995. She joined the Boots Company in 1995, becoming Director of HR for all of Boots International retail and FMCG healthcare businesses in 2000. In 2003, she joined the AS Watson Group, Hong Kong and was promoted to Group International HR Director. In 2006 she founded her own consulting firm, S Flynn Consulting. In 2010, Shanthi Flynn joined Walmart in Asia and became Senior Vice President Human Resources for the Asia region leading the HR team for Walmart's retail businesses in China, Japan and India. In 2015 she returned to her own leadership consulting practice until joining the Adecco Group.
- Shanthi Flynn is a former Board mentor for Criticaleye, UK and Asia, Chair HR Committee American Chamber of Commerce, Hong Kong, and served on the council of King George V school, Hong Kong. She is a member of the WEF Global Council for Economic Growth and Social Inclusion, and a member of the HR50 group.

Stephan Howeg

- Swiss and German national, born 1965.
- Chief Marketing & Communications Officer and member of the EC since September 2015.
- Stephan Howeg joined the Adecco Group in February 2007 as Senior Vice President of Corporate Communications and Global Marketing Partnerships, and in 2008 was promoted to Global Head of Group Communications.
- Stephan Howeg has a Master's Degree in History, Philosophy & Sociology from the University of Zurich, Switzerland, as well as having completed a four-year apprenticeship in Mechanics. He has taken Executive programmes in Marketing, Communications and Leadership at IMD, INSEAD and Harvard.
- Between 1997 and 2001, Stephan Howeg was Head of Corporate Communications & Marketing at Sunrise Communications, Switzerland. In 2001 he joined Ascom, Switzerland, as Global Head Corporate Communications & Investor Relations. From 2003 to 2007, he served as Head of Corporate Communications & Public Affairs for Cablecom, Switzerland.

Rob James

- British national, born 1961.
- Chief Information Officer since August 2016 and member of the EC since January 2018.
- Rob James gained his Bachelor of Science Degree in Mathematics with Honours from University College London.
- Rob James started his career in IT at Xerox in Europe in 1984. He subsequently moved to Procter & Gamble (P&G) in Cincinnati and between 1988 and 2002 held positions of increasing responsibility before becoming Global CIO for P&G's Pharmaceutical Division. In 2003 he joined Novartis as US CIO, before moving to Switzerland, where he was Group CIO from 2010 until 2016.

4.2 Other activities and vested interests

Except those described above in 4.1 "Biographies of the members of the Executive Committee", no further permanent management/consultancy functions for significant domestic or foreign interest groups, and no significant official functions or political posts are held by the members of the EC of Adecco Group AG.

The AoI (Art. 16 sec. 4; http://aoi.adeccogroup.com) limit the number of mandates that may be assumed by members of the EC in directorial bodies of legal entities not affiliated with the Company and its subsidiaries. The members of the EC have complied with these requirements.

4.3 Management contracts

There are no management contracts between the Company and external providers of services.

5. Compensation, shareholdings and loans

Please refer to the Remuneration Report.

The AoI (Art. 14bis; http://aoi.adeccogroup.com) define the principles of the AGM's say on pay.

The AoI (Art. 20bis; http://aoi.adeccogroup.com) define the principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options, as well as the additional amount for payments to members of the EC appointed after the AGM's vote on pay.

In Art. 20 sec. 1 and 20bis sec. 1, the AoI (http://aoi.adeccogroup.com) determine rules on post-employment benefits for members of the Board and of the EC.

The AoI do not foresee the granting of loans and credit facilities to members of the Board and of the EC; advances for this group of individuals in connection with administrative or judicial proceedings are allowed (AoI; Art. 20 sec. 2).

Further information

6. Shareholders' rights

Please also refer to the AoI (http://aoi.adeccogroup.com).

Information rights

Swiss law allows any shareholder to obtain information from the Board during the General Meeting of Shareholders provided that no preponderant interests of Adecco Group AG, including business secrets, are at stake and the information requested is required for the exercise of shareholders' rights. Shareholders may only obtain access to the books and records of Adecco Group AG if authorised by the Board or the General Meeting of Shareholders. Should Adecco Group AG refuse to provide the information rightfully requested, shareholders may seek a court order to gain access to such information. In addition, if the shareholders' inspection and information rights prove to be insufficient, each shareholder may petition the General Meeting of Shareholders to appoint a special commissioner who shall examine certain specific transactions or any other facts in a so-called special inspection. If the General Meeting of Shareholders approves such a request, Adecco Group AG or any shareholder may within 30 days ask the court of competent jurisdiction at Adecco Group AG's registered office to appoint a special commissioner. Should the General Meeting of Shareholders deny such a request, one or more shareholders who hold at least 10% of the equity capital, or shares with an aggregate nominal value of at least CHF 2 million, may within three months petition the court of competent jurisdiction to appoint a special commissioner. Such request must be granted and a special commissioner appointed if the court finds prima facie evidence that the Board breached the law or did not act in accordance with Adecco Group AG's AoI. The costs of the investigation are generally allocated to Adecco Group AG and only in exceptional cases to the petitioner(s).

Dividend payment

Adecco Group AG may only pay dividends from statutory reserves from capital contribution, and statutory and voluntary retained earnings, in accordance with Art. 675 of the Swiss Code of Obligations.

Companies whose principal purpose consists of participations in other companies may freely use the statutory reserves from capital contribution and statutory retained earnings to the extent they exceed 20% of the paid-in share capital. Pursuant to Art. 671 para. 1 of the Swiss Code of Obligations, 5% of the annual profits shall be allocated to the statutory retained earnings until the statutory reserves from capital contribution and the statutory retained earnings have reached 20% of the paid-in share capital. In addition, pursuant to Art. 671 para. 2 and para. 4 of the Swiss Code of Obligations, companies whose principal purpose consists of participations in other companies shall allocate to the statutory reserves from capital contribution and statutory retained earnings the following: (1) any surplus over nominal value upon the issue of new shares after deduction of the issuance cost, to the extent such surplus is not used for depreciation or welfare purposes; (2) the excess of the amount which was paid-in on cancelled shares over any reduction on the issue price of replacement shares. The statutory reserves from capital contribution and statutory retained earnings amounted to CHF 409 million as of 31 December 2017 and 31 December 2016, thereby exceeding 20% of the paid-in share capital in both years.

In 2017 the AGM approved two dividends for a total of CHF 2.40 per share outstanding (totalling CHF 407 million, EUR 374 million), whereof a first dividend of CHF 1.50 was directly distributed from voluntary retained earnings. The second dividend resulted from a reduction of CHF 0.90 of the nominal value of the Adecco Group AG registered share. For 2017, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the AGM.

Say on pay

Each year, the AGM will be asked to approve the proposals submitted by the Board concerning the Maximum Total Amounts of Remuneration of the Board and of the EC (AoI; Art. 14bis; http://aoi.adeccogroup.com).

Liquidation and dissolution

The AoI do not limit Adecco Group AG's duration.

Adecco Group AG may be dissolved and liquidated at any time by a resolution of a General Meeting of Shareholders taken by at least two-thirds of the votes. Under Swiss law, Adecco Group AG may also be dissolved by a court order upon the request of holders of Adecco Group AG shares representing at least 10% of Adecco Group AG's share capital who assert significant grounds for the dissolution of Adecco Group AG. The court may also grant other relief. The court may at any time, upon request of a shareholder or obligee, decree the dissolution of Adecco Group AG if the required corporate bodies are missing. Adecco Group AG may also be dissolved following bankruptcy proceedings.

Swiss law requires that any net proceeds from a liquidation of Adecco Group AG, after all obligations to its creditors have been satisfied, be used first to repay the nominal equity capital of Adecco Group AG. Thereafter, any remaining proceeds are to be distributed to the holders of Adecco Group AG shares in proportion to the nominal value of those Adecco Group AG shares.

Further capital calls by Adecco Group AG

Adecco Group AG's share capital is fully paid up. Hence, the shareholders have no liability to provide further capital to Adecco Group AG.

Subscription rights

Under Swiss law, holders of Adecco Group AG shares have pre-emptive rights to subscribe to any issuance of new Adecco Group AG shares in proportion to the nominal amount of Adecco Group AG shares held by that holder. A resolution adopted at an AGM with a supermajority may suspend these pre-emptive rights for material reasons only. Pre-emptive rights may also be excluded or limited in accordance with Adecco Group AG's AoI (http://aoi.adeccogroup.com).

Further information continued

6.1 Voting rights and representation restrictions

For further details refer to section 2.6 “Limitations on registration, nominee registration and transferability”. The AoI do not foresee any other restrictions to voting rights.

Pursuant to the AoI, a duly registered shareholder may be represented by (i) the shareholder’s legal representative, (ii) a third person who needs not be a shareholder with written proxy, or (iii) the Independent Proxy Representative based on a proxy fulfilling the requirements as set out in the invitation to the AGM (Art. 13 sec. 2 of the AoI; http://aoi.adeccogroup.com). At an AGM, votes are taken by poll.

6.2 Legal and statutory quorums

The AGM shall constitute a quorum regardless of the number of shareholders present and regardless of the number of shares represented (Art. 14 sec. 1 of the AoI; http://aoi.adeccogroup.com).

There are no quorums in Adecco Group AG’s AoI which require a majority greater than set out by applicable law (Art. 14 sec. 3 of the AoI; http://aoi.adeccogroup.com). Note, however, that any vote with respect to maximum compensation approvals are subject to an absolute majority of votes cast whereby abstentions shall not be counted as votes cast (Art. 14bis sec. 3 of the AoI; http://aoi.adeccogroup.com).

In addition to the powers described above, the AGM has the power to vote on amendments to Adecco Group AG’s AoI (including the conversion of registered shares into bearer shares), to elect the members of the Board, the Chair of the Board, the members of the Compensation Committee, the Independent Proxy Representative, the statutory auditors and any special auditor for capital increases, to approve the Annual Report, including the statutory financial statements and the consolidated financial statements of the Adecco Group, and to set the annual dividend. In addition, the AGM has competence in connection with the special inspection and the liquidation of Adecco Group AG.

6.3 Convocation of the General Meeting of Shareholders

Notice of a General Meeting of Shareholders must be provided to the shareholders by publishing a notice of such meeting in the “Swiss Official Gazette of Commerce” (“Schweizerisches Handelsamtsblatt”) at least 20 days before the meeting. The notice must state the items on the agenda and the proposals of the Board and the shareholders who demanded that a General Meeting of Shareholders be called or asked for items to be put on the agenda. Admission to the General Meeting of Shareholders is granted to any shareholder registered in Adecco Group AG’s share register with voting rights at a certain record date, which will be published together with the invitation to the General Meeting of Shareholders in the “Swiss Official Gazette of Commerce” (“Schweizerisches Handelsamtsblatt”).

6.4 Agenda

Under Swiss corporate law, an ordinary General Meeting of Shareholders shall be held within six months after the end of each fiscal year (“Annual General Meeting of Shareholders”). Extraordinary General Meetings of Shareholders may be called by the Board or, if necessary, by the statutory auditors. In addition, an Extraordinary General Meeting of Shareholders may be called by a resolution of the shareholders adopted during any prior General Meeting of Shareholders or, at any time, by holders of shares representing at least 10% of the share capital.

The Swiss Code of Obligations is applicable to the right to request that a specific item be put on the agenda of a General Meeting of Shareholders and discussed and voted upon. Holders of Adecco Group AG shares whose combined shareholdings represent an aggregate nominal value of at least CHF 100,000 (Art. 11 sec. 2 of the AoI; http://aoi.adeccogroup.com) or holders of Adecco Group AG shares representing at least 10% of the share capital have the right to request that a specific proposal be discussed and voted upon at the next General Meeting of Shareholders; such inclusion must be requested in writing at least 40 days prior to the meeting and shall specify the agenda items and proposals of such shareholder(s) (Art. 11 sec. 2 of the AoI; http://aoi.adeccogroup.com).

6.5 Registration in the share register

Shareholders will be registered in the share register of Adecco Group AG until the record date defined in the invitation to a General Meeting of Shareholders to be published in the “Swiss Official Gazette of Commerce” (“Schweizerisches Handelsamtsblatt”). Only shareholders who hold shares registered in the share register with a right to vote at a certain date, or their representatives, are entitled to vote. There are no specific rules regarding the granting of exemptions from the above deadline.

7. Changes of control and defence measures

7.1 Duty to make an offer

The AoI of Adecco Group AG do not contain any opting-up clause in the sense of Art. 135 para 1 FMIA as in force since 1 January 2016. Therefore, pursuant to the applicable provisions of the FMIA, if any person acquires shares of Adecco Group AG, whether directly or indirectly or acting together with another person, which, added to the shares already owned, exceed the threshold of 33⅓% of the voting rights of Adecco Group AG, irrespective of whether the voting rights are exercisable or not, that person must make an offer to acquire all of the listed equity securities of Adecco Group AG. There is no obligation to make a bid under the foregoing rules if the voting rights in question are acquired as a result of a donation, succession or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings, or if an exemption is granted.

7.2 Change of control clause

There are no change of control clauses in place in favour of members of the Board or members of the EC. In accordance with the Company’s AoI, long-term incentive plans of the Company may provide for an accelerated vesting in case of a change of control (see section 4.2.3 “Long-Term Incentive Plan” of the Remuneration Report).

8. Auditors

Each year, the AGM of Adecco Group AG elects the statutory auditor. On 20 April 2017, the AGM elected Ernst & Young Ltd, Zürich, as statutory auditor of the Company for the business year 2017.

Ernst & Young Ltd has served the Company as its Auditor since 2002. André Schaub, licensed audit expert, has acted as the auditor in charge since 2012. This is the first year Jolanda Dolente, licensed audit expert, has been the global co-ordinating partner.

The total fee for the Group audit of the Company and for the statutory audits of the Company's subsidiaries for the fiscal year 2017 amounted to EUR 6.7 million.

For the fiscal year 2017, additional fees of EUR 0.2 million were charged for audit-related services such as advice on matters not directly related to the Group audit. Fees for tax services and fees for other services were not significant.

The AC oversees the Company's financial reporting process on behalf of the Board. In this capacity, the AC discusses, together with the Auditor, the conformity of the Company's financial statements with accounting principles generally accepted in the United States and the requirements of Swiss law.

The AC regularly meets with the Auditors, at least five times a year, to discuss the results of their examinations, and the overall quality of the Company's financial reporting. During 2017, the Auditors attended all meetings and phone conferences of the AC. The Auditors regularly have private sessions with the AC, without the CEO, the CFO, or any other member of the EC attending. The AC assessed with the Company's Auditors the overall scope and plan for the 2017 audit of the Company. The Auditors are responsible for expressing an opinion on the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. Further, the Auditors are required, under the auditing standards generally accepted in the United States, to discuss, based on written reports, with the AC their judgements as to the quality, not just the acceptability, of the Company's accounting policies as applied in the Company's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and disclosures. Further, the Auditors are responsible for expressing opinions on the standalone financial statements of Adecco Group AG.

The AC oversees the work of the Auditors and it reviews, at least annually, their qualification, performance and independence. It discusses with the Auditors the Auditors' independence from management and the Company, and monitors audit partner rotation. The AC considers the compatibility of non-audit services with the Auditors' independence and pre-approves all audit and non-audit services provided by the Auditors. Services may include audit-related services, tax services and other services.

The AC proposes the Auditors to the Board for election by the shareholders and is responsible for approving the audit fees. Each year a proposal for fees for audit services is submitted by the Auditors and validated by the CFO, before it is submitted to the AC for approval.

9. Information policy

The AGM for the fiscal year 2017 is planned to be held on 19 April 2018 at the Beaulieu Centre de Congrès et d'Expositions, in Lausanne, Switzerland. The details will be published in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt") at least 20 days before the meeting.

Adecco Group AG provides quarterly media releases on the Company's consolidated and divisional results as per the following agenda:

8 May 2018	Q1 2018 results;
9 August 2018	Q2 2018 results;
6 November 2018	Q3 2018 results.

For further investor information, including inscription to push and pull services, refer to http://ir.adeccogroup.com.

To order a free copy of this Annual Report and for further information, please refer to the contact addresses listed on the inside back cover of the Annual Report (http://ir.adeccogroup.com).

10. Tax strategy

The Company operates a tax policy that is approved by the Board and clearly defines the expected behaviours of its teams around the world. The Company seeks to protect value for its shareholders and fully complies with both the tax law and the spirit of the law in all countries where it operates. The Company works towards fostering mutually constructive and open relationships with tax authorities with the aim of reducing the risk of challenge and dispute through being transparent about its tax affairs. The Company seeks to remove uncertainty by entering into contemporaneous audit programmes or advanced agreements with tax authorities where possible. The Company does not engage in artificial tax-driven structures and transactions.

Remuneration

Incentivising and rewarding excellence

At a glance

1. Introduction

Dear Shareholders,

We are pleased to introduce the Remuneration Report of the Adecco Group for 2017.

The Adecco Group delivered a solid performance in 2017. We accelerated organic revenue growth to 6%, as economic conditions in many of our end markets improved during 2017. Our EBITA margin excluding one-offs was 4.9%, once again achieving leading profitability amongst our industry peers, even as we made significant investment in the new digital solutions and IT infrastructure that will transform our business and support future profitable growth. Cash flow generation also remained strong, and we ended the year with a robust balance sheet.

The Remuneration Report explains how these results impacted the incentive payments made to the Executive Committee (EC) members under the short- and long-term remuneration plans.

In the reporting year, the Compensation Committee (CC) conducted a review of the remuneration strategy, which led to the refinement of the reward framework for the Senior Leadership roles and the Executive Committee. The elements of this reward framework for the Executive Committee are described in this report.

Furthermore, the CC performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment following the year end, the determination of the remuneration of the Board and the EC members, as well as the preparation of the Remuneration Report and of the say-on-pay votes at the Annual General Meeting of Shareholders (AGM).

You will find further information on the CC activities and on our remuneration systems in this Remuneration Report. The report will be submitted to a non-binding, consultative vote by shareholders at the AGM 2018.

Looking ahead, we will continue to regularly assess our remuneration plans to ensure that they are fulfilling their purpose. We trust that you will find this report informative.

The Board of Directors
Zürich, 14 March 2018

Remuneration Report

Executive summary

Governance Refer to section 2.	The Board has entrusted the CC to provide support in establishing and reviewing the remuneration philosophy, principles and plans, in determining the remuneration of the Board and EC members and preparing the proposals to the AGM. Shareholders approve the Maximum Total Amounts of Remuneration of the Board and EC in an annual binding prospective vote. Further, they have the opportunity to express their opinion on the remuneration actually awarded for the reporting year in a consultative vote on the Remuneration Report.
Remuneration philosophy & principles Refer to section 3.	The Adecco Group's remuneration philosophy is to recognise and reward performance. It reflects the Company's commitment to attract, retain and motivate employees in order to support the achievement of the Company's business objectives. The remuneration philosophy translates into the following core principles: • Reward for performance • Alignment to shareholders' interests • Internal fairness and external competitiveness
Remuneration of the Board Refer to sections 4.1. and 5.1.	The members of the Board receive fixed remuneration for their work on the Board and in the committees of the Board. The remuneration is delivered in the form of cash and shares. The latter are restricted for a period of three years.
Remuneration of the EC Refer to sections 4.2. and 5.2.	In line with the pay-for-performance philosophy, the EC remuneration includes the following elements:

Element	in CHF millions
Annual base salary Reflects the scope of the function and the skill set required to perform the role Monthly cash	8.6
Annual bonus with Short-Term Incentive Plan (STIP) Rewards annual financial performance of The Adecco Group and its businesses: • EBITA • Revenues • DSO Annual cash	6.9
Long-Term Incentive Plan (LTIP) Rewards long-term shareholder value creation • Relative TSR with three-year cliff-vesting Performance Share Awards	4.9
Benefits Provide for a reasonable level of income in case of retirement, death or disability; and fringe benefits reflecting local practice Pensions, insurances, fringe benefits	3.9
Total 2017[1]	**24.3**

1 Total conferred, excluding the remuneration conferred to former EC members after having ceased to be an EC member.

To ensure market competitiveness, the Adecco Group regularly conducts benchmark analysis for Board and EC remuneration.

The Adecco Group's Remuneration Report is written in accordance with the requirements of the Ordinance and the Directive on Information relating to Corporate Governance, issued by the SIX Swiss Exchange and as amended on 13 December 2016. The Adecco Group AG's principles regarding remuneration further take into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance as published on 29 February 2016. In addition, the Remuneration Report comprises information as required under the Swiss Code of Obligations (Art. 663c para. 3).

Statements throughout this Remuneration Report using the terms "the Company" or "the Group" refer to the Adecco Group, which comprises Adecco Group AG, a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which the Adecco Group is considered the primary beneficiary.

2. Remuneration governance

2.1 Role of shareholders

The role of shareholders on remuneration matters has gained in importance in recent years. First of all, shareholders annually prospectively approve the Maximum Total Amount of Remuneration each of the Board and EC. Secondly, they approve the Remuneration Report in a retrospective consultative vote. Certain principles of remuneration are governed by the Articles of Incorporation (AoI), which have been approved by the shareholders. The AoI (http://aoi.adeccogroup.com) include the following provisions:

- Principles of remuneration applicable to the Board and EC (Art. 20 and 20[bis]);
- Shareholders' vote on remuneration (Art. 14[bis]);
- Supplementary amount for new EC members (Art. 14[bis]);
- Post-employment benefits (Art. 20).

2.2 Role of the Board and CC

In line with the provisions of the AoI, the Board has entrusted the CC to provide support in establishing and reviewing the remuneration principles and plans, in preparing the remuneration proposals to the AGM and in determining the remuneration of the Board and EC members, as well as in setting and assessing the performance objectives relevant for the remuneration of EC members.

The CC is composed of independent Board members who are elected individually by the shareholders at the AGM for a term of office of one year ending after completion of the next AGM. Further details on the CC composition, responsibilities and activities are provided in the Corporate Governance Report, section 3.4 "Compensation Committee".

The CC generally acts in a preparatory and advisory capacity while the Board retains the decision authority on remuneration matters, except for the Maximum Total Amounts of Remuneration of the Board and EC, which are subject to the approval of shareholders at the AGM. The authority levels of the different bodies on remuneration matters are outlined in Illustration 1.

The CC meets as often as business requires, but at least five times a year. In 2017, the CC held five meetings and one conference call. Details on meeting attendance of the individual CC members are provided in the Corporate Governance Report, section 3.4 "Internal organisational structure".

The Chairman of the CC reports to the full Board after each CC meeting. The minutes of the meetings are available to all members of the Board. As a general rule, the Chairman of the Board, the Chief Executive Officer (CEO) and the Chief Human Resources Officer (CHRO) attend the CC meetings in an advisory capacity. The Chairman of the CC may decide to invite other executives as appropriate. Executives do not attend the meetings or the parts of the meetings in which their own remuneration and/or performance are being discussed.

2.3 Role of external advisors

The CC may decide to consult external advisors from time to time for specific remuneration matters. In 2017, the Adecco Group engaged Willis Towers Watson, an international independent external consultant, to assist with the development of a global grading system and to provide compensation benchmarks. The global grading system allows the determination of the relative value of jobs in the organisation through a globally applicable, neutral job evaluation process, and their external comparability with the relevant compensation benchmark. Furthermore, Obermatt, an independent Swiss financial research firm, was mandated to calculate achievement level and vesting payout under the LTIP. Those companies have no other mandates with the Adecco Group.

In addition, support and expertise are provided to the CC by internal experts such as the CHRO and the Head of Rewards.

Illustration 1: Authority levels in remuneration matters[1]

	CEO	CC	Board	AGM
Remuneration philosophy and principles	Proposes	Reviews	Approves	
Remuneration plans including incentive plans	Proposes	Reviews	Approves	
Maximum Total Amount of Remuneration of Board		Proposes	Reviews	Approves prospectively
Individual remuneration of Board members		Proposes	Approves	
Maximum Total Amount of Remuneration of EC		Proposes	Reviews	Approves prospectively
CEO remuneration		Proposes	Approves	
Individual remuneration of EC members	Proposes	Reviews	Approves	
Remuneration Report		Proposes	Approves	Retrospective consultative vote

1 Within the framework set in the AoI.

3. Remuneration philosophy, principles and framework

3.1 Remuneration philosophy and principles

Illustration 2: Remuneration principles

Reward for performance	The variable remuneration components recognise and reward the Company's and business units' performance. Thus, as a general rule, individual targets are not used in the incentive plans. The STIP incentivises management for achieving the annual financial targets of the Group and the business units and fosters collaboration. The LTIP incentivises management for creating long-term shareholder value.
Alignment to shareholders' interests	The LTIP is delivered in the form of share-based remuneration and thus aligns the interests of management with those of the shareholders.
Internal fairness and external competitiveness	The remuneration is internally consistent and externally competitive. Base salaries are generally set at the median level of the relevant function in the local market. Local benefits are defined in line with local regulations and competitive practice. Total remuneration is reviewed periodically to ensure competitiveness in attracting and retaining talent.

The Adecco Group's remuneration philosophy is to recognise and reward performance. It reflects the Company's commitment to attract, retain and motivate employees in order to support the achievement of the Company's business objectives. The remuneration philosophy translates into principles that support this fundamental objective and are summarised in Illustration 2.

The level of remuneration of the Board and of the EC members is reviewed every two to three years to ensure market competitiveness. For this purpose, the CC mandated Aon Hewitt to provide an in-depth benchmark analysis of the remuneration of the Board and EC members in 2016. The basis for comparison consists of similar companies in terms of complexity and size (market capitalisation, revenues, headcount, geographic scope). The benchmark analysis for the remuneration of the Board was based on a peer group of 16 companies listed on the Swiss stock exchange, comprising: ABB, Credit Suisse, DKSH Holding, Kuehne-Nagel, Lafarge Holcim, Novartis, Richemont, Roche Holding, Schindler, The Swatch Group, Swisscom, Swiss Life, Swiss Re, Syngenta, UBS and Zurich Insurance Group. For the benchmark analysis of the EC, country-specific survey peer groups comprising in total more than 200 companies globally from various industry sectors representing potential employers of the Adecco Group's talents were included.

Generally, factors such as scope and responsibilities of the function, including geographic responsibility, revenues, number of employees, and skill set required to perform the role are considered to identify the relevant benchmarks. The benchmark analysis served as a primary basis for the CC to review the remuneration of the EC members and to confirm or revise their target remuneration levels for financial year 2017.

For the EC members who changed roles during the year, the Pan-European Executive Compensation Survey of Willis Towers Watson was used as an additional source of benchmarking data in a first step towards the target reward framework presented hereafter.

3.2. Reward framework

In the reporting year, the CC conducted a review of the remuneration strategy, which led to a refinement of the reward framework for the Senior Leadership and Executive Committee. Its implementation will start in 2018. For the EC members, the key elements are:

- A refined definition of the relevant market for the benchmarking of their remuneration. Going forward, our EC roles will be primarily compared with similar positions in a basket of pan-European companies. In a second step, their target remuneration (pay mix, STI and LTI level) as determined based on the benchmarks mentioned above is compared to the typical pay mix of our competitors and to local markets. The competitors comprise the companies included in the peer group selected for the relative TSR calculation under the LTI (refer to page 89 of this report).
- A target pay mix giving more emphasis on the variable remuneration;
- The introduction of non-financial objectives in the short-term incentive plan's metrics to reflect progress on key strategic priorities;
- Shareholding guidelines requiring EC members to hold a minimum number of Company shares associated with the introduction of a blocking period of two years after vesting of the shares from the long-term incentive plan. The implementation of the blocking period will start with the 2018 LTI grant.

4. Remuneration structure

4.1 Board of Directors' remuneration

In order to ensure their independence in exercising their supervisory duties over executive management, the members of the Board receive a fixed remuneration for their Board term of office without entitlement to variable components of remuneration. Two-thirds of the Board fee is paid in cash and one-third is paid in shares subject to a three-year blocking period. The restriction period on the shares supports the alignment of the Board members' interests with those of the shareholders.

When determining the individual Board members' remuneration, their various functions and responsibilities within the Board and its committees are taken into account.

The remuneration system for the term from AGM 2017 to AGM 2018 is summarised in Illustration 3:

Illustration 3: Structure and levels of remuneration of the Board

	Cash (in CHF)	Shares[1] (in CHF)
Fee (gross) for the Board term		
Chair of the Board[2]	960,000	500,000
Vice-Chair of the Board[2]	300,000	150,000
Other members of the Board	166,670	83,330
Additional committee fees (gross)		
Committee chair[3]	100,000	50,000
Other committee members	33,330	16,670

1 Paid in Adecco Group AG shares with a three-year blocking period.

2 No entitlement to additional fee for committee work.

3 Amount includes fee for committee membership for the committee chair.

The remuneration in cash is paid out quarterly (for the Chair: monthly) and is subject to regular contributions to social security where applicable. The shares are transferred on a quarterly basis. Board members are not insured under the Company retirement plans.

For the amounts paid to the individual members of the Board in the period under review (1 January to 31 December 2017), refer to section 5.1 "Board of Directors' remuneration and shareholding".

4.2 Executive Committee's remuneration

As shown in Illustration 4, the remuneration model for the EC includes fixed and variable elements:

- Base salary;
- Short-term incentive in form of cash, based on annual, ambitious and clearly defined internal performance objectives (STIP);
- Long-term incentive in form of share-based remuneration based on relative TSR performance over a three-year period, with cliff-vesting (LTIP);
- Benefits including social contributions, contributions to retirement plans, as well as other fringe benefits.

Illustration 4: Elements of the EC remuneration

	Element	Purpose	Drivers	Performance measures
Base salary	Cash salary, typically paid in monthly instalments	• Pay for the role • Attract and retain	• Function • Market value • Skills and experience	n.a.
Short-term incentive	Annual cash bonus	• Pay for performance	• Achievement of annual business objectives	• EBITA • Revenues • DSO
Long-term incentive	Performance Share Awards with three-year cliff-vesting	• Reward long-term performance • Align to shareholders' interests	• Group performance over three years • Continued employment	• Relative TSR
Benefits	Social contributions, retirement plans and fringe benefits	• Attract and retain • Protect against risk	• Market practice • Function • Local regulations	n.a.

4.2.1 Base salary

The base salary reflects the scope of the role and its responsibilities, the experience and skills required to perform the role and the profile of the incumbent in terms of seniority and experience. The base salary is paid in cash, typically in monthly instalments, and serves as a reference for determining the target STI and LTI.

4.2.2 Short-Term Incentive Plan (STIP)

The STIP is a cash incentive plan that rewards executives for the annual performance on key value drivers: operating income before amortisation and impairment of goodwill and intangible assets (EBITA), revenues and Days Sales Outstanding (DSO). These performance metrics are the key levers that management can influence to increase shareholder value.

The STI target is the STI amount that is paid for a performance achievement of 100%. The STI target is determined as a percentage of annual base salary. For the CEO, the STI target amounts to 80% of the annual base salary; for the other EC members, it ranges between 60% and 100% of the annual base salary, depending on their function and responsibilities.

For EC members with direct responsibility for a specific geography, 35% of the STI is based on the performance of the Adecco Group and 65% is based on the performance of the relevant geography. For the EC members without direct geographic responsibility, the entire STI depends on the performance of the Adecco Group.

For each performance indicator, a target level of performance is determined. The target represents the expected performance and corresponds to 100% payout. A minimum level of performance (baseline), below which the payout is 0%, and a maximum level of performance (cap) are determined as well. The payout is capped at 150%. For achievement between those levels, the payout percentage is calculated by linear interpolation. Any performance adjustment such as unbudgeted items related to acquisitions and divestitures or reorganisations must be approved by the CC.

The weight of the respective performance metrics, their baseline, target and cap are disclosed in Illustration 5.

Performance targets for the STIP metrics are both market- and commercially-sensitive and as such are considered confidential. Hence, they are not published. However, the Company discloses ex post the overall degree to which performance has been achieved (refer to section 5.2 "Executive Committee's remuneration for 2017").

The STI is paid in the year following the performance period, subject to continued employment with the Company. In case of termination of employment, according to the STIP rules and depending on the conditions of such termination, the STI payout may be reduced or cancelled. The STIP rules are subject to applicable law in the given country of employment.

In addition to the quantitative reward system described in this section, it is in the discretion of the Board of Directors to adjust bonus payments (positively and negatively) when deemed justified, based on qualitative performance aspects of the EC or its individual members.

Illustration 5: STIP performance metrics, weights, baselines, targets and caps

	Weight	Baseline	Target = 100% payout	Cap = 150% payout
EBITA	65%	80% of budget = 80% of payout	100% of budget	120% of budget
Revenues	20%	96% of budget = 50% of payout	100% of budget	104% of budget
DSO	15%	Budget DSO + 1 day = 50% payout	Budget DSO	Budget DSO – 1 day

4.2.3 Long-Term Incentive Plan (LTIP)

The purpose of the LTIP is to reward long-term value creation and to enhance alignment of the interests of the executives to those of shareholders. The LTIP is a Performance Share Awards plan providing for conditional rights to receive a certain number of Adecco Group AG shares after a three-year cliff-vesting period, subject to fulfilling the relative TSR performance condition and upon continued employment of the participant at the vesting date. The relative TSR was chosen because it is considered as one of the most appropriate performance metric to link the long-term remuneration of the management to the value creation of the shareholders. For the grant awarded in 2017, the performance period starts on 1 January 2017 and ends on 31 December 2019.

The mechanism of the LTIP is shown in Illustration 6.

At grant date, the LTI target amounts to 100% of the annual base salary for the CEO (previous year: 80%) and ranges from 60% to 100% for the other EC members (previous year: 60% to 125%). The LTI target amount for the CEO has been increased, in order to gradually rebalance the remuneration mix with stronger focus on the long-term compensation element. To determine the number of Performance Share Awards to be granted, the LTI target amount is divided by the three-year average daily closing price of the Adecco Group AG share prior to the grant. However, the share price used for the allocation cannot deviate by more than 20% from the share price at grant.

The Performance Share Awards are subject to a three-year cliff-vesting based on the relative TSR performance of the Adecco Group compared to a peer group of companies. The peer group includes the 17 companies listed in Illustration 7. The CC periodically reviews the composition of the peer group and may propose the substitution of alternative peer companies due to corporate events such as merger, acquisition, divesture, delisting or bankruptcy of peer companies. As from 2017, the CC decided to include Recruit Holdings Co., Ltd. further to their acquisition of USG People, a company which was included in the peer group until 2015.

Illustration 6: LTIP mechanism for the grant awarded in 2017

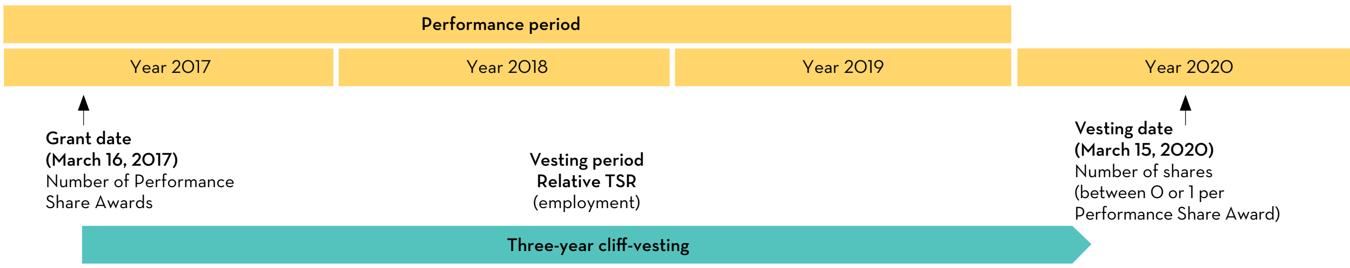
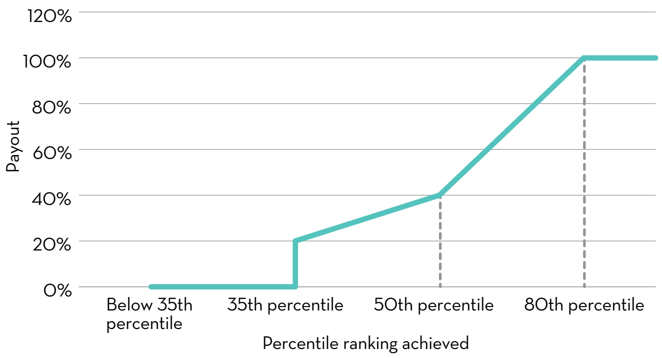


Illustration 7: Peer companies for relative TSR performance under the LTIP

Amadeus Fire	Manpower Group	Randstad Holding	SThree
Brunel International	Meitec	Recruit Holdings Co., Ltd	Synergie Groupe
Hays	Michael Page International	Robert Half International	Temp Holdings
Kelly Services	On Assignment	Robert Walters	TrueBlue
Kforce			

The vesting level is determined based on the percentile ranking of the Adecco Group compared to the peer companies over a period of three years, as shown in Illustration 8. There is no payout for a ranking below the 35th percentile and the payout is capped at 100% for reaching the 80th percentile (there is no over-achievement in the LTIP).

Illustration 8: Vesting schedule for relative TSR performance under the LTIP



	Baseline = 20% payout	40% payout	Target = 100% payout (cap)
Relative TSR	35th percentile	50th percentile	80th percentile

The achievement level and the vesting payout are calculated by an external provider (see section 2.3), based on an average of the percentile ranks. TSR is calculated on the basis of a one-year average share price for both the Adecco Group's TSR and the peers' TSR, taking into consideration dividends for the period under review.

The plan foresees that participants who, before the end of the performance period, terminate their employment with the Company at their own will, and those who receive notice of termination for cause, will no longer be entitled to the vesting of the awards. In case of termination by the employer without cause, a time-weighted pro rata portion of the unvested Performance Share Awards will vest at the regular vesting date depending on the level of target achievement. In line with Art. 20bis para 3 of the AoI (http://aoi.adeccogroup.com) and as specified in the LTIP, in the case of a predefined Change of Control before a Performance Share Award has vested, the time-weighted pro rata portion of the unvested Performance Share Award may vest on the Change of Control date depending on the level of target achievement at the date of the relevant corporate event as determined by the Compensation Committee. Those Performance Share Awards that do not vest due to lack of fulfilment of the performance conditions lapse immediately. These plan rules are subject to applicable law in the given country of employment.

The LTIP includes claw-back provisions for any award and any benefit received or entitled to be received in case of fraudulent behaviour or other types of intentional misconduct.

4.2.4 Benefits

As the EC is international in its nature, its members participate in the benefit plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents in case of retirement, death and disability. The EC members with a Swiss employment contract participate in the Adecco Group's pension plans offered to all employees in Switzerland. EC members under foreign employment contracts are insured commensurately with market and with their position. Each plan varies in line with the local competitive and legal environment and has been designed, as a minimum, in accordance with the legal requirements of the respective country.

EC members are also provided with certain fringe benefits such as a company car allowance, car lease, membership fees, housing allowance, relocation, education, representation allowance and health insurance. The monetary value of these other elements of remuneration is disclosed at fair value in the remuneration tables.

4.2.5 Contractual agreements

EC members are employed under employment contracts of unlimited duration and are all subject to a notice period of 12 months. EC members are not contractually entitled to severance payments based on their individual contracts (but may be entitled to seniority-related payments due to mandatory foreign laws as applicable) or any change-in-control payments (for LTI vesting see section 4.2.3). Their contract may foresee refundable non-competition provisions that are limited in time to maximum one year.

5. Remuneration and shareholding of members of the Board and EC

This section is audited by the Company's statutory auditors; please refer to the report at the end of the Remuneration Report.

5.1 Board of Directors' remuneration for 2017 and shareholding on 31 December 2017

In 2017, the Board's total remuneration amounted to CHF 4.58 million (2016: CHF 4.79 million). Of this total, CHF 2.84 million was paid out in cash (2016: CHF 2.99 million), CHF 1.44 million was awarded in restricted shares (2016: 1.5 million) and social contributions amounted to CHF 0.29 million (2016: CHF 0.3 million).

This remuneration is in substance unchanged versus the previous year, with the decrease mainly caused by the different composition of the Board and its committees.

At the AGM of 21 April 2016, shareholders approved a Maximum Total Amount of Remuneration of CHF 4.9 million for the Board for the term from the AGM 2016 until the AGM 2017. The remuneration paid to the Board for this term was CHF 4.8 million and is therefore within the approved limits.

At the AGM of 20 April 2017, shareholders approved a Maximum Total Amount of Remuneration of CHF 4.7 million for the Board for the term from the AGM 2017 until the AGM 2018. The remuneration paid to the Board for this term is anticipated to be approximately CHF 4.5 million. The final amount will be disclosed in the Remuneration Report 2018.

Illustration 9: Board remuneration for financial year 2017 and shareholding as of 31 December 2017

in CHF (except shares)

Name	Function[1]	Remuneration period in 2017	Remuneration in cash	Remuneration in shares[3]	Total remuneration[4]	Social contributions[5]	**Shareholding as of 31 December 2017[6]**
Rolf Dörig	Chair	since Jan.	960,000	500,000	1,460,000	92,566	72,284
Kathleen Taylor	Vice-Chair	since Jan.[2]	275,000	137,500	412,500	26,840	4,574
Jean-Christophe Deslarzes	Member	since Jan.	233,333	116,667	350,000	22,904	4,504
Ariane Gorin	Member	since Apr.	150,000	75,000	225,000	29,687	1,008
Alexander Gut	CC Chair	since Jan.	300,000	150,000	450,000	29,200	21,390
Didier Lamouche	Member	since Jan.	200,000	100,000	300,000	19,768	5,464
David Prince	AC Chair	since Jan.	300,000	150,000	450,000	61,475	13,034
Wanda Rapaczynski	GNC Chair	since Jan.	300,000	150,000	450,000	0	15,890
Dominique-Jean Chertier	Member	Jan. to Apr.	50,000	25,000	75,000	5,772	n.a.
Thomas O'Neill	Vice-Chair	Jan. to Apr.	75,000	37,500	112,500	6,284	n.a.
Subtotal			2,843,333	1,441,667	4,285,000	294,496	
Total						**4,579,496**	**138,148**

1 For more information re the functions of the individual members of the Board in the Board's committees, refer to the Corporate Governance Report, section 3.4.

2 Vice-Chair since April 2017.

3 Paid with 19,684 Adecco Group AG shares at an average price of CHF 73.45 per share.

4 Gross amounts, including Directors' social contributions required by law.

5 Company's social contributions required by law. No contributions are paid to pension plans.

6 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each. The members of the Board are required to disclose to the Company any direct or indirect purchases and sales of equity-related securities of Adecco Group AG.

Illustration 10: Board remuneration for financial year 2016 and shareholding on 31 December 2016
in CHF (except shares)

Name	Function[1]	Remuneration period in 2016	Remuneration in cash	Remuneration in shares	Total remuneration for term served[2]	Social contributions[3]	Shareholding as of 31 December 2016[4]
Rolf Dörig	Chair	since Jan.	960,000	500,000	1,460,000	98,475	65,469
Thomas O'Neill	Vice-Chair	since Jan.	300,000	150,000	450,000	26,337	11,680
Dominique-Jean Chertier	Member	since Jan.	200,000	100,000	300,000	17,184	11,098
Jean-Christophe Deslarzes	Member	since Jan.	225,000	112,500	337,500	22,945	2,913
Alexander Gut	NCC Chair	since Jan.	300,000	150,000	450,000	30,438	19,343
Didier Lamouche	Member	since Jan.	200,000	100,000	300,000	20,589	4,098
David Prince	AC Chair	since Jan.	300,000	150,000	450,000	58,856	10,987
Wanda Rapaczynski	CGC Chair	since Jan.	300,000	150,000	450,000		13,843
Kathleen Taylor	Member	since Jan.	200,000	100,000	300,000	20,589	2,706
Subtotal			2,985,000	1,512,500[5]	4,497,500	295,413	
Total						**4,792,913**	**142,137**

1 For more information re the functions of the individual members of the Board in the Board's committees, refer to the Corporate Governance Report, section 3.4.

2 Gross amounts, including Directors' social contributions required by law.

3 Company's social contributions required by law. No contributions are paid to pension plans.

4 Indicating the number of registered shares held, with a nominal value of CHF 1 each. The members of the Board are required to disclose to the Company any direct or indirect purchases and sales of equity related securities of Adecco Group AG.

5 Paid with 24,936 Adecco Group AG shares at an average price of CHF 60.66 per share.

5.2 Executive Committee's remuneration for 2017

In 2017, EC members' total remuneration amounted to CHF 25 million (2016: CHF 23.1 million). This amount consisted of fixed salaries of CHF 8.5 million (2016: CHF 8.8 million), Annual bonus of CHF 6.9 million (2016: CHF 6.2 million), long-term incentives of CHF 4.9 million (2016: CHF 4.7 million), other expenses of CHF 1 million (2016: 0.9 million), and social contributions and post-employment benefits of CHF 2.9 million (2016: CHF 2.5 million).

Overall, the remuneration of the EC increased by 8.5% compared to 2016. Looking at the different components, the changes were as follows:

- The fixed remuneration decreased by 2.6% as a result of changes to the EC composition.
- The 2017 Annual bonus is 11.3% higher than in 2016. This reflects the Company's financial results, as the EBITA and the revenue grew over last year. In 2017, the STI payout for the CEO was 97.2% of target (previous year: 90%) and ranged from 80% to 119% for the other EC members (previous year: 52% to 104%), and reached an average 88% for the entire EC including the CEO (previous year: 83%).
- The increase in the "other" payments is mainly due to the changes in the EC composition.
- The value of the share awards granted under the LTIP was higher in 2017 than in 2016. This is mainly due to the increase of the LTI target amount for the CEO.

At the AGM of 21 April 2016, shareholders approved a Maximum Total Amount of Remuneration of CHF 34.5 million for financial year 2017. The remuneration paid to the EC for this term was CHF 25 million and is therefore within the approved limits.

For the financial year 2017, the variable component (Annual bonus as paid, LTIP at grant value) represented 49% of the total remuneration of the EC (previous year: 47%). This is aligned with the pay-for-performance philosophy of the Adecco Group and reflects the orientation of the remuneration plans to the shareholders' interests.

Illustration 11: EC remuneration for the year 2017

in CHF	Alain Dehaze, CEO[1]	Total Executive Committee[2]
Gross cash remuneration[3]:		
• Base salary	1,500,000	8,546,585
• Annual bonus[4]	1,166,149	6,924,433
Remuneration in kind and other[5]	155,424	983,131
Share awards granted in 2017 under the Long-Term Incentive Plan (LTIP)[6]:		
• Relative TSR awards	1,180,174	4,943,061
Social contributions:		
• Old age insurance/pensions and other[7]	272,944	1,905,364
• Additional health/accident insurance	22,946	133,452
• On LTIP awards granted in 2017, potentially vesting in later periods, estimated (based on closing price at grant)[8]	217,698	845,068
Total conferred	**4,515,335**	**24,281,094**
Conferred to former EC members after having ceased to be an EC member[9]		770,518
Conferred, grand total[10]		25,051,612

1 Highest conferred individual compensation in 2017.

2 Notice periods of up to 12 months apply. For certain members of the EC, based on mandatory foreign law, additional payments may become due in case of termination. For certain members of the EC, compensation related to non-compete and non-solicitation obligations after termination of their employment agreement might be due.

3 Including employee's social contributions.

4 Not included are bonus payments due for 2016 but made during 2017 as this information was disclosed in 2016.

5 Car allowance for private use, car lease financed by the Company, membership fees, housing allowance, relocation, education, health insurance, voluntary pension contribution, representation allowance and benefits.

6 Value in CHF of Adecco Group AG shares awarded in 2017 under the LTIP 2017 (grant date: 16 March 2017).

Valuation of the share awards granted:

- The grant date values of the relative TSR awards are calculated based on the closing price of the Adecco Group AG share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective relative TSR targets will be met at the end of the performance period. The probability factor of 0.424 for relative TSR awards has been determined using a binomial model. A discount of 10.5% is applied which takes into consideration that relative TSR awards are not entitled to dividends during the vesting period.
- The per share value of awards granted in 2017 amounts to CHF 26.54.

7 Including social contributions on LTIP grant 2015 for one EC member (France) as they became due at grant date.

8 Not included are social contributions on LTIP grant 2015 for one EC member (France) as they became due at grant date (included above, see footnote 7).

9 The employment relationships of certain officers who ceased to be members of the EC in the course of 2017 formally terminate in the course of 2017 in accordance with respective termination agreements. Compensation of former members which is attributable to 2017 is included in this table, whereas compensation to former members attributable to 2018 will be disclosed in the Remuneration Report for 2018.

10 Not included are employer's social contributions of CHF 108,950 on LTIP awards granted in previous periods and vested in 2017.

Illustration 12: EC remuneration for the year 2016

in CHF	Alain Dehaze, CEO[1]	Total Executive Committee[2]
Gross cash remuneration[3]:		
• Base salary	1,500,000	8,774,845
• Annual bonus[4]	1,079,986	6,222,798
Remuneration in kind and other[5]	133,481	885,496
Share awards granted in 2016 under the Long-Term Incentive Plan (LTIP)[6]:	835,025	4,718,623
Social contributions:		
• Old age insurance/pensions and other	297,217	1,723,686
• Additional health/accident insurance	23,490	139,289
• On LTIP awards granted in 2016, potentially vesting in later periods, estimated (based on closing price at grant)	150,450	623,857
Total conferred[7]	**4,019,649**	**23,088,594**

1 Highest conferred individual compensation in 2016.

2 Notice periods of up to 12 months apply. For certain members of the EC, based on mandatory foreign law, additional payments may become due in case of termination. For certain members of the EC, compensation related to non-compete and non-solicitation obligations after termination of their employment agreement might be due.

3 Including employee's social contributions.

4 Not included are bonus payments due for 2015 but made during 2016 as this information was disclosed in 2015.

5 Car allowance, car lease financed by the Company, housing allowance, relocation, education, health insurance, voluntary pension contribution, representation allowance.

6 Value in CHF of Adecco Group AG share awards granted in 2016 under the LTIP 2016 (grant date: 16 March 2016).

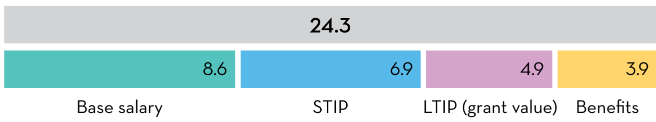
Valuation of the share awards granted:

The grant date value of the Performance Share Awards is calculated based on the closing price of the Adecco Group AG share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective relative TSR targets will be met at the end of the performance period. The probability factor of 0.42 for relative TSR awards has been determined using a binomial model. A discount of 10.5% is applied which takes into consideration that the awards are not entitled to dividends during the vesting period.

The value of each share award granted in 2016 amounts to CHF 23.61.

7 Not included are employer's social contributions of CHF 31,193 on LTIP awards granted in previous periods and vested in 2016.

Illustration 13: EC remuneration mix for the year 2017



5.3 Shareholding of EC members as of 31 December 2017/2016

The members of the EC, including related parties, reported share ownership as indicated in Illustration 15.

Illustration 14: EC shareholding as of 31 December 2017[1]
(in shares)

Name	Shareholding as of 31 December 2017[2]	Shareholding as of 31 December 2016[2]
Alain Dehaze	34,561	24,420
Hans Ploos van Amstel	5,000	5,000
Christophe Catoir	8,101	7,019
Robert P. (Bob) Crouch[3]	–	9,425
John L. Marshall III	6,791	5,014
Christophe Duchatellier	14,645	8,089
Mark De Smedt	6,221	5,000
Sergio Picarelli	13,050	11,383
Enrique Sanchez	12,887	7,738
Federico Vione	11,058	7,220
Stephan Howeg	7,742	6,821
Franz-Josef Schürmann	100	2,000
Shanthi Flynn	5,000	5,000
Total	**125,156**	**104,129**

1 The shareholdings of new EC members such as Ian Lee and Rob James will be disclosed in the Remuneration Report 2018.

2 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each as of 31 December 2017 and CHF 1 each as of 31 December 2016. The members of the EC are required to disclose to the Company direct or indirect purchases and sales of equity-related securities of the Adecco Group.

3 Ceased to be a member of the EC in 2017.

5.4 Share awards held by and granted to EC members as per 31 December 2017

This section provides information on the Performance Share Awards granted to EC members in 2017 and vesting of Performance Share Awards granted prior to 2017 and vested in 2017.

Illustration 15: Awards granted in 2017

Share awards held as of 31 December 2017 granted on 16 March 2017 under the LTIP:

31 December 2017	Performance Share Awards
Alain Dehaze	44,460
Total EC	186,217

Illustration 16: Vesting level for Performance Share Awards granted

Grant year	Vesting year	Overall vesting %[1]
2013	2016	33%
2014	2017	58%
2015	2018	58%
2016	2019	pending[2]
2017	2020	pending[2]

1 Vesting level of the Performance Share Awards granted to current EC members.

2 Performance periods are still ongoing. Numbers will be available after the end of the respective performance period.

5.5 Additional fees and remuneration of Board and EC members

No member of the Board and EC has received any additional remuneration in 2017.

5.6 Loans granted to Board and EC members

In 2017, the Company did not grant any guarantees, loans, advances or credits to Board or EC members. No such loans were outstanding as of 31 December 2017.

5.7 Remuneration of former members of the Board and EC

No further payments were made to former Board or EC members in relation to their work before financial year 2017.

5.8 Shares allocated to members of the Board, EC and closely linked parties

In 2017, part of the remuneration of the Board members was paid in Adecco Group AG shares (refer to Illustration 9: "Board remuneration for financial year 2017 and shareholding as of 31 December 2017"), and under the LTIP, shares were allocated to the EC members (refer to Illustration 11: "EC remuneration for the year 2017").

No further Adecco Group AG shares were allocated to current or former members of the Board or EC and closely linked parties.

5.9 Remuneration or loans to closely linked parties

In 2017, no remuneration was paid out, no shares allocated and no guarantees, loans, advances or credits were granted to closely linked parties. No such loans were outstanding as of 31 December 2017.

Report of the Statutory Auditor on the Remuneration Report to the General Meeting of Adecco Group AG, Zürich

We have audited the accompanying Remuneration Report of Adecco Group AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in section 5. "Remuneration and shareholding of members of the Board and EC" on pages 91 to 95 of the Remuneration Report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Remuneration Report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Remuneration Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Remuneration Report.

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

Opinion

In our opinion, the Remuneration Report for the year ended 31 December 2017 of Adecco Group AG complies with Swiss law and articles 14-16 of the Ordinance.

Ernst & Young Ltd

/s/ André Schaub	/s/ Jolanda Dolente
André Schaub	**Jolanda Dolente**
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zürich, Switzerland
14 March 2018

Financial Statements

Providing transparency and clarity

Selected financial information

in millions, except share and per share information

For the fiscal years (in EUR)	2017	2016	2015	2014	2013
Statements of operations					
Revenues	**23,660**	22,708	22,010	20,000	19,503
Amortisation of intangible assets	**(32)**	(34)	(41)	(37)	(42)
Impairment of goodwill			(740)		
Impairment of intangible assets	**(129)**				
Operating income	**992**	1,062	300	891	779
Net income attributable to Adecco Group shareholders	**788**	723	8	638	557

As of (in EUR)	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Balance sheets					
Cash and cash equivalents and short-term investments	**962**	1,128	1,147	681	955
Trade accounts receivable, net	**4,440**	4,268	3,972	3,676	3,526
Goodwill	**2,895**	3,051	3,018	3,583	3,408
Total assets	**9,890**	10,099	9,596	9,346	9,230
Short-term debt and current maturities of long-term debt	**394**	345	354	72	484
Accounts payable and accrued expenses	**4,066**	4,031	3,777	3,601	3,344
Long-term debt, less current maturities	**1,562**	1,670	1,832	1,580	1,562
Total liabilities	**6,308**	6,377	6,250	5,507	5,673
Total shareholders' equity	**3,582**	3,722	3,346	3,839	3,557

For the fiscal years (in EUR)	2017	2016	2015	2014	2013
Cash flows from operations					
Cash flows from operating activities	**730**	687	799	785	520
Cash used in investing activities	**(113)**	(113)	(246)	(93)	(55)
Cash used in financing activities	**(695)**	(589)	(114)	(987)	(575)
Other indicators					
Capital expenditures	**100**	76	97	80	81

As of	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Other indicators					
Net debt (in EUR)[1]	**994**	887	1,039	971	1,091
Additional statistics					
Number of FTE employees at year end (approximate)	**34,000**	33,000	32,000	31,000	31,000

1 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. The calculation of net debt based upon financial measures in accordance with US GAAP is presented on page 52.

Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	31.12.2017	31.12.2016
Assets			
Current assets:			
• Cash and cash equivalents		958	1,123
• Short-term investments		4	5
• Trade accounts receivable, net	3	4,440	4,268
• Other current assets		187	214
Total current assets		**5,589**	**5,610**
Property, equipment, and leasehold improvements, net	4	198	167
Equity method investments	6	173	189
Other assets		668	554
Intangible assets, net	2, 5	367	528
Goodwill	2, 5	2,895	3,051
Total assets		**9,890**	**10,099**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses:			
– Accounts payable		766	799
– Accrued salaries and wages		716	707
– Accrued payroll taxes and employee benefits		1,355	1,228
– Accrued sales and value added taxes		486	447
– Accrued income taxes		37	38
– Other accrued expenses		706	812
• Total accounts payable and accrued expenses		4,066	4,031
• Short-term debt and current maturities of long-term debt	7	394	345
Total current liabilities		**4,460**	**4,376**
Long-term debt, less current maturities	7	1,562	1,670
Other liabilities		286	331
Total liabilities		**6,308**	**6,377**
Shareholders' equity			
Adecco Group shareholders' equity:			
• Common shares	8	11	106
• Additional paid-in capital	8	579	581
• Treasury shares, at cost	8	(338)	(40)
• Retained earnings		3,613	3,058
• Accumulated other comprehensive income/(loss), net	8	(291)	10
Total Adecco Group shareholders' equity		**3,574**	**3,715**
Noncontrolling interests		8	7
Total shareholders' equity		**3,582**	**3,722**
Total liabilities and shareholders' equity		**9,890**	**10,099**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of operations

in millions, except share and per share information

For the fiscal years ended 31 December (in EUR)	Note	2017	2016	2015
Revenues	16	23,660	22,708	22,010
Direct costs of services		(19,314)	(18,432)	(17,831)
Gross profit		**4,346**	**4,276**	**4,179**
Selling, general, and administrative expenses		(3,193)	(3,180)	(3,098)
Amortisation of intangible assets	5	(32)	(34)	(41)
Impairment of goodwill	5			(740)
Impairment of intangible assets	5	(129)		
Operating income	16	**992**	**1,062**	**300**
Interest expense		(52)	(59)	(67)
Other income/(expenses), net	13	(1)	32	13
Income before income taxes		**939**	**1,035**	**246**
Provision for income taxes	14	(149)	(310)	(236)
Net income		**790**	**725**	**10**
Net income attributable to noncontrolling interests		(2)	(2)	(2)
Net income attributable to Adecco Group shareholders		**788**	**723**	**8**
Basic earnings per share	15	**4.67**	**4.24**	**0.05**
Basic weighted-average shares	15	168,745,176	170,292,621	172,526,685
Diluted earnings per share	15	**4.66**	**4.24**	**0.05**
Diluted weighted-average shares	15	169,100,523	170,525,841	172,712,214

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income

in millions, except share and per share information

For the fiscal years ended 31 December (in EUR)	Note	**2017**	2016	2015
Net income		790	725	10
Other comprehensive income/(loss), net of tax:				
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2017: EUR 1, 2016: EUR 1, 2015: EUR 2)		(15)	(11)	(20)
• Currency translation adjustment of net investment hedges (net of tax of, 2017: EUR (2), 2015: less than EUR 1)		18		3
• Currency translation adjustment related to the nominal share capital reduction		(44)		
• Currency translation adjustment related to divestitures (net of tax of, 2016: less than EUR 1)			4	
• Currency translation adjustment excluding long-term intercompany loans, divestitures, nominal share capital reduction and net investment hedges (net of tax of, 2017: EUR (1), 2016: less than EUR 1, 2015: EUR 1)		(272)	24	122
• Change in pension prior years' service costs (net of tax of, 2017: less than EUR 1, 2016: less than EUR 1, 2015: less than EUR 1)	10	(1)	2	
• Change in net actuarial gain/(loss) on pensions (net of tax of, 2017: EUR (4), 2016: EUR 2, 2015: EUR 3)	10	14	4	(10)
• Change in fair value of securities (net of tax of, 2017: less than EUR 1, 2016: less than EUR 1)		(1)	1	
• Change in fair value of cash flow hedges (net of tax of, 2017: less than EUR 1, 2016: less than EUR 1)	11		(1)	
Total other comprehensive income		(301)	23	95
Total comprehensive income		**489**	**748**	**105**
Less comprehensive income attributable to noncontrolling interests		(2)	(2)	(2)
Comprehensive income attributable to Adecco Group shareholders		**487**	**746**	**103**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

in millions, except share and per share information

For the fiscal years ended 31 December (in EUR)	**2017**	2016	2015
Cash flows from operating activities			
Net income	790	725	10
Adjustments to reconcile net income to cash flows from operating activities:			
• Depreciation and amortisation	109	119	135
• Impairment of goodwill			740
• Impairment of intangible assets	129		
• Gain on divestiture of Beeline		(100)	
• Loss on buyback of long-term debt		26	
• Bad debt expense	20	27	10
• Stock-based compensation	14	12	21
• Deferred tax provision/(benefit)	(168)	38	29
• Other, net	13	24	24
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
• Trade accounts receivable	(380)	(319)	(186)
• Accounts payable and accrued expenses	222	205	56
• Other assets and liabilities	(19)	(70)	(40)
Cash flows from operating activities	**730**	**687**	**799**
Cash flows from investing activities			
Capital expenditures	(100)	(76)	(97)
Proceeds from sale of property and equipment	1	2	2
Acquisition of Penna, net of cash acquired		(122)	
Acquisition of D4, net of cash acquired		(25)	
Acquisition of BioBridges, net of cash acquired	(37)		
Acquisition of Mullin, net of cash acquired	(22)		
Proceeds from divestiture of Beeline, net of cash divested	21	72	
Acquisition of Knightsbridge, net of cash acquired			(56)
Cash settlements on derivative instruments	39	63	(94)
Purchase of short-term investments	(20)	(18)	(16)
Proceeds from sale of short-term investments	19	23	7
Other acquisition and investing activities, net	(14)	(32)	8
Cash used in investing activities	**(113)**	**(113)**	**(246)**

For the fiscal years ended 31 December (in EUR)	2017	2016	2015
Cash flows from financing activities			
Borrowings of short-term debt under the commercial paper programme	104	394	446
Repayment of short-term debt under the commercial paper programme	(104)	(404)	(488)
Other net increase/(decrease) in short-term debt	30	(3)	2
Borrowings of long-term debt, net of issuance costs	255	494	498
Repayment of long-term debt	(299)	(316)	
Buyback of long-term debt		(362)	
Dividends paid to shareholders	(374)	(372)	(348)
Purchase of treasury shares	(304)	(20)	(225)
Other financing activities, net	(3)		1
Cash used in financing activities	**(695)**	**(589)**	**(114)**
Effect of exchange rate changes on cash	**(87)**	**1**	**20**
Net increase/(decrease) in cash and cash equivalents	**(165)**	**(14)**	**459**
Cash and cash equivalents:			
• Beginning of year	1,123	1,137	678
• End of year	958	1,123	1,137
Supplemental disclosures of cash paid			
Cash paid for interest	44	64	56
Cash paid for income taxes	258	259	237

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
1 January 2015	**111**	**1,063**	**(303)**	**3,072**	**(108)**	**4**	**3,839**
Comprehensive income:							
Net income				8		2	10
Other comprehensive income					95		95
Total comprehensive income							**105**
Stock-based compensation		21					21
Vesting of share awards		(15)	15	(1)			(1)
Share cancellation	(3)		257	(297)			(43)
Treasury shares purchased on second trading line			(207)				(207)
Other treasury share transactions			(20)				(20)
Cash dividends, CHF 2.10 per share		(348)					(348)
31 December 2015	**108**	**721**	**(258)**	**2,782**	**(13)**	**6**	**3,346**
Comprehensive income:							
Net income				723		2	725
Other comprehensive income					23		23
Total comprehensive income							**748**
Stock-based compensation		12					12
Vesting of share awards		(13)	12				(1)
Share cancellation	(2)		218	(214)			2
Treasury shares purchased on second trading line			(11)				(11)
Other treasury share transactions			(1)				(1)
Cash dividends, CHF 2.40 per share		(139)		(233)			(372)
Other						(1)	(1)
31 December 2016	**106**	**581**	**(40)**	**3,058**	**10**	**7**	**3,722**
Comprehensive income:							
Net income				788		2	790
Other comprehensive income					(301)		(301)
Total comprehensive income							**489**
Stock-based compensation		14					14
Vesting of share awards		(16)	16				
Treasury shares purchased on second trading line			(275)				(275)
Other treasury share transactions			(39)				(39)
Cash dividends, CHF 1.50 per share				(235)			(235)
Nominal share capital reduction, CHF 0.90 per share	(95)			2			(93)
Other						(1)	(1)
31 December 2017	**11**	**579**	**(338)**	**3,613**	**(291)**	**8**	**3,582**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

in millions, except share and per share information

Note 1 – The business and summary of significant accounting policies

Business

The corporate seat of Adecco Group AG was moved to Zürich on 2 August 2017.

The consolidated financial statements include Adecco Group AG, a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities in which the Adecco Group is considered the primary beneficiary (collectively, the Company). The Company's principal business is providing human resource services including temporary staffing, permanent placement, outsourcing, career transition, and other services to businesses and organisations throughout Europe, North America, Asia Pacific, South America, and North Africa. At the end of 2017, the Company's worldwide network consists of approximately 5,200 branches and more than 34,000 full-time equivalent (FTE) employees in 60 countries and territories.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Lee Hecht Harrison; and the Rest of World segments (that comprise Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India segments). The business lines consist of General Staffing (Office, Industrial) and Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), as well as Solutions. Solutions comprises Career Transition & Talent Development (CTTD), and Business Process Outsourcing (BPO), which includes Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO), and Digital. BPO included Vendor Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger of Beeline with IQNavigator. The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

Basis of presentation

The consolidated financial statements are prepared in accordance with US generally accepted accounting principles (US GAAP) and the provisions of Swiss law.

Reporting currency

The reporting currency of the Company is the Euro, which reflects the significance of the Company's Euro-denominated operations. Adecco Group AG's share capital is denominated in Swiss Francs and the Company declares and pays dividends in Swiss Francs.

Foreign currency translation

The Company's operations are conducted in various countries around the world and the financial statements of foreign subsidiaries are reported in the applicable foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the Euro, the reporting currency, for inclusion in the Company's consolidated financial statements. Income, expenses, and cash flows are translated at average exchange rates prevailing during the fiscal year or at transaction exchange rates, and assets and liabilities are translated at fiscal year-end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity. Exchange gains and losses on intercompany balances that are considered permanently invested are also included in equity.

Principles of consolidation

The consolidated financial statements include 100% of the assets, liabilities, revenues, expenses, income, loss, and cash flows of Adecco Group AG, its consolidated subsidiaries and entities for which the Company has been determined to be the primary beneficiary under the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 810, "Consolidation" (ASC 810). As of 31 December 2017, the consolidated subsidiaries include all majority-owned subsidiaries of the Company. Noncontrolling interests for entities fully consolidated but not wholly owned by the Company are accounted for in accordance with ASC 810 and are reported as a component of equity. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company records investments in affiliates over which it is able to exercise significant influence using the equity method of accounting. The cost method of accounting is applied for investments in entities which do not have readily determinable fair values and over which the Company is not able to exercise significant influence (generally investments in which the Company's ownership is less than 20%).

The Company accounts for variable interest entities (VIEs) in accordance with ASC 810, which requires the consolidation of a VIE in which an entity is considered the primary beneficiary. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. An entity is required to perform a qualitative and a quantitative analysis to determine whether it has controlling financial interest in a VIE.

Notes to consolidated financial statements continued

in millions, except share and per share information

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to allowance for doubtful accounts, accruals and provisions, impairment of goodwill and indefinite-lived intangible assets, contingencies, pension accruals, and income taxes. The Company bases its estimates on historical experience and on various other market-specific assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Recognition of revenues

The Company generates revenues from sales of temporary staffing services, permanent placement services, outsourcing services, career transition, and other services. Revenues are recognised on an accrual basis and are reported net of any sales taxes. Allowances are established for estimated discounts, rebates, and other adjustments and are recorded as a reduction of sales.

Revenues related to temporary staffing services are generally negotiated and invoiced on an hourly basis. Associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Temporary staffing service revenues are recognised upon rendering the services.

Revenues related to permanent placement services are generally recognised at the time the candidate begins full-time employment, or as the fee is earned. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations.

Revenues related to outsourcing services (including MSP, RPO), VMS, career transition, and other services are negotiated with the client on a project basis and are recognised upon rendering the services. Revenues invoiced prior to providing services are deferred and recognised in other current liabilities until the services are rendered.

The Company presents revenues and the related direct costs of services in accordance with ASC 605-45, "Revenue Recognition – Principal Agent Considerations" (ASC 605-45). For sales arrangements in which the Company acts as a principal in the transaction and has risks and rewards of ownership (such as the obligation to pay the associate and the risk of loss for collection and performance or pricing adjustments), the Company reports gross revenues and gross direct costs. Under arrangements where the Company acts as an agent, as is generally the case in most MSP contracts, revenues are reported on a net basis.

The Company provides services in the normal course of business at arm's length terms to entities that are affiliated with certain of its officers, Board members, and significant shareholders through investment or board directorship.

Marketing expenses

Marketing expenses totalled EUR 85, EUR 85, and EUR 80 in 2017, 2016, and 2015, respectively. These costs are included in selling, general, and administrative expenses (SG&A) and are generally expensed as incurred.

Cash equivalents and short-term investments

Cash equivalents consist of highly liquid instruments having an original maturity at the date of purchase of three months or less.

The Company's policy is to invest excess funds primarily in investments with maturities of 12 months or less, and in money market and fixed income funds with sound credit ratings, limited market risk, and high liquidity.

Trade accounts receivable

Trade accounts receivable are recorded at net realisable value after deducting an allowance for doubtful accounts. The Company makes judgements on an entity-by-entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. Where available and when cost effective, the Company utilises credit insurance. Accounts receivable balances are written-off when the Company determines that it is unlikely that future remittances will be received, or as permitted by local law.

Property, equipment, and leasehold improvements

Property and equipment are carried at historical cost and are depreciated on a straight-line basis over their estimated useful lives (generally three to ten years for furniture, fixtures, and office equipment; three to five years for computer equipment and software; and twenty to forty years for buildings). Leasehold improvements are stated at cost and are depreciated over the shorter of the useful life of the improvement or the remaining lease term, which includes the expected lease renewal. Expenditures for repairs and maintenance are charged to expense as incurred.

Capitalised software costs

The Company capitalises purchased software as well as internally developed software. Internal and external costs incurred to develop internal use software during the application development stage are capitalised. Application development stage costs generally include software configuration, coding, installation, and testing. Costs incurred for maintenance, testing minor upgrades, and minor enhancements are expensed as incurred. Capitalised software costs are included in property, equipment, and leasehold improvements, net. Capitalised costs are depreciated on a straight-line basis over the estimated useful life commencing once the software is ready for its intended use, generally three to five years.

Goodwill and indefinite-lived intangible assets

Goodwill represents the excess of the purchase price in a business combination over the value assigned to the net tangible and identifiable intangible assets of businesses acquired less liabilities assumed. In accordance with ASC 350, "Intangibles – Goodwill and Other" (ASC 350), goodwill and indefinite-lived intangible assets are not amortised. Rather, the carrying value of goodwill and indefinite-lived intangible assets is tested annually for impairment.

Goodwill is tested on a reporting unit level using a two-step impairment test. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. In step one of the goodwill impairment test, the carrying value of each reporting unit is compared to the reporting unit's fair value as determined using a combination of comparable market multiples, additional market information, and discounted cash flow valuation models. If the fair value of the reporting unit is lower than the carrying value of the reporting unit, step two is performed to measure the amount, if any, of impairment. In step two, the fair value of all assets and liabilities of the reporting unit is determined, as if the reporting unit had been acquired on a standalone basis. The fair value of the reporting unit's assets and liabilities is then compared to the fair value of the reporting unit, with the excess, if any, considered to be the implied goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds this implied goodwill value, that excess is recorded as an impairment charge in operating income.

Indefinite-lived intangible assets are tested by comparing the fair value of the asset to the carrying value of the asset. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income.

Definite-lived intangible assets

In accordance with ASC 805, "Business Combinations" (ASC 805), purchased identifiable intangible assets are capitalised at fair value as of the acquisition date. Intangible assets with definite lives, primarily customer relationships, are generally amortised on a straight-line basis over the estimated period in which benefits are received, which generally ranges from one to ten years.

Impairment of long-lived assets including definite-lived intangible assets

The Company evaluates long-lived assets, including intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets" (ASC 360-10-35-15). The asset is regarded as not recoverable if the carrying amount exceeds the undiscounted future cash flows. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is calculated using a discounted cash flow model.

Accounting for restructuring costs

In recording severance reserves for ongoing benefits, the Company accrues a liability when the following conditions have been met: the employees' rights to receive compensation are attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated. For one-time termination benefits which require employees to render services beyond a "minimum retention period", liabilities associated with employee termination benefits are recorded as employees render services over the future service period. Otherwise, liabilities associated with employee one-time termination benefits are recorded at the point when management has taken a decision to terminate a specific group of employees, the employees have been notified of the decision, and the type and amount of benefits to be received by the employees is known. Liabilities for contract termination and other exit costs are recorded at fair value when a contract is formally terminated in accordance with the contract term, or the Company ceases using the right conveyed by the contract.

Income taxes

The Company accounts for income taxes and uncertainty in income taxes recognised in the Company's financial statements in accordance with ASC 740, "Income Taxes" (ASC 740). ASC 740 prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Current liabilities and assets are recognised for the estimated payable or refundable taxes on the tax returns for the current year. Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and includes the future tax benefit of existing net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets in those cases when management does not believe that the realisation is more likely than not. While management believes that its judgements and estimates regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Company's future financial results.

In addition, significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions and arrangements. Although management believes that its tax return positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different from amounts reflected in the income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made.

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Earnings per share

In accordance with ASC 260, "Earnings per Share" (ASC 260), basic earnings per share is computed by dividing net income attributable to Adecco Group shareholders by the number of weighted-average shares for the fiscal year. Diluted earnings per share reflects the maximum potential dilution that could occur if dilutive securities, such as stock options, non-vested shares or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income attributable to Adecco Group shareholders.

Financial instruments

In accordance with ASC 815, "Derivatives and Hedging" (ASC 815), all derivative instruments are initially recognised at fair value as either other current assets, other assets, other accrued expenses, or other liabilities in the accompanying consolidated balance sheets regardless of the purpose or intent for holding the derivative instruments. The derivatives are subsequently remeasured to fair value at the end of each reporting period. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the consolidated statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is initially recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item. For derivative instruments designated and qualifying as net investment hedges, changes in the fair value of the derivative instruments are recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity to the extent they are considered effective. These gains or losses will remain in equity until the related net investment is sold or otherwise disposed. The cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

For derivative instruments that are not designated or that do not qualify as hedges under ASC 815, the changes in the fair value of the derivative instruments are recognised in other income/(expenses), net, within the consolidated statements of operations. Any cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

Fair value measurement

The Company accounts for assets and liabilities which are required to be recorded at fair value in accordance with ASC 820, "Fair Value Measurements" (ASC 820). Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Company measures fair value using unadjusted quoted market prices. If quoted market prices are not available, fair value is based upon internally developed models that use, whenever possible, current market-based parameters, such as interest rate curves and currency exchange rates. The Company also utilises independent third-party pricing services. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

CICE (tax credit for competitiveness and employment)

At the end of 2012, the French government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. This provides employers with a tax credit on employee salaries up to 2.5 times the minimum wage. For 2013, the rate of the tax credit was 4%; for 2014 to 2016, this rate was raised to 6%; and for 2017 this rate was raised to 7%. As announced in December 2017 for 2018 the tax credit will decrease back to 6% and from 2019 it will be replaced by social charge reductions. The CICE earned each year is creditable against current income tax payable in France with any remaining amount paid after three years. Given the Company's current tax situation in France, the Company does not expect to receive the CICE receivables recorded until three years after it is earned.

In June 2017, the Company sold a portion of the CICE receivables of EUR 180 for cash proceeds of EUR 179 and in June 2016, the Company sold a portion of the CICE receivables of EUR 170 for cash proceeds of EUR 169. Upon sale, the Company derecognised EUR 180 in June 2017 and EUR 170 in June 2016 of the CICE receivables as these transactions qualified for sale treatment in accordance with ASC 860, "Transfers and Servicing" (ASC 860) and the Company does not have any continuing involvement with the CICE receivables sold. The discount on the CICE receivables sold is recorded in interest expense in the consolidated statements of operations.

New accounting guidance

In May 2014, the FASB issued an Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers (Topic 606): Revenue Recognition" (ASU 2014-09) that establishes a broad principle that would require an entity to recognise revenue to depict the performance of services or transfer of promised goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services or goods. This guidance requires retrospective adoption either to each prior reporting period presented or as a cumulative effective adjustment as of the date of adoption, and is effective for the first interim period within annual reporting periods beginning after 15 December 2017. The Company adopted these updates as of 1 January 2018. The Company applied this new guidance only to contracts that are not completed at the date of initial application. Prior periods were not retrospectively adjusted. The Company has performed an assessment of the impact of adopting the new standard, including contract reviews across the various service lines and revenue streams. Differences related to the Company's revenue recognition under the new standard and previous guidance are not significant and did not have a material impact on the Company's financial statements. The Company does not expect significant variations in the amount or timing of revenue recognition upon adoption of the new standard, however the Company will include additional disclosures regarding its contracts with customers and related revenues in its interim and annual financial statements for the fiscal year 2018.

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842) that establishes a broad principle requiring a lessee to recognise in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Full retrospective application is prohibited. The guidance is effective for annual periods beginning after 15 December 2018. Early adoption is permitted. The Company plans to adopt this guidance as of 1 January 2019 and is currently assessing the impact of this guidance on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognises as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The new guidance is effective for the Company for fiscal years beginning after 15 December 2020 including interim periods within those fiscal years. The Company plans to adopt this guidance as of 1 January 2021 and is currently assessing the impact of this guidance on the consolidated financial statements.

In October 2016, FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16). The amendment under ASU 2016-16 requires that an entity recognise the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This guidance requires modified retrospective adoption via a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption, and is effective for the first interim period within annual reporting periods beginning after 15 December 2017. The Company adopted ASU 2016-16 on 1 January 2018. Upon adoption, the 31 December 2017 "Other assets" were reduced by EUR 19 directly against "Retained earnings" which was also reduced by EUR 19.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18). The amendment under ASU 2016-18 requires that a statement of cash flows explains the change during the period in the total of cash and cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This guidance requires a retrospective transition method adoption to each period presented as of the date of adoption, and is effective for the first interim period within annual reporting periods beginning after 15 December 2017. The Company adopted ASU 2016-18 on 1 January 2018 and will apply the guidance retrospectively to all periods presented. Upon adoption, the 31 December 2017 cash inflows from operating activities increased by EUR 7 to EUR 737 (31 December 2016 increased by EUR 7 to EUR 694), the 31 December 2016 cash used in investing activities increased by EUR (19) to EUR (132), and the 31 December 2017 effect of exchange rate changes on cash decreased by EUR (5) to EUR (92) (31 December 2016 increased by EUR 1 to EUR 2).

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" (ASU 2017-01). The amendments in this ASU clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this ASU are effective for fiscal years beginning after 15 December 2017, including interim periods within those fiscal years. Early application is permitted. The amendments in this ASU should be applied prospectively on or after the effective date. No disclosures are required at transition. The Company adopted this amendment as of 1 January 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" (ASU 2017-04). The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in this ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value, which eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount. The amendments in this ASU are effective for annual or any interim goodwill impairment tests in fiscal years beginning after 15 December 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after 1 January 2017. The amendments in this ASU should be applied on a prospective basis. The Company does not expect this guidance to have a significant impact on the consolidated financial statements, upon adoption.

In March 2017, the FASB issued ASU 2017-07, "Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The amendment in this ASU changes how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the statement of operations. The amendments in this ASU are effective for the first interim period within annual reporting periods beginning after 15 December 2017. The Company adopted this amendment as of 1 January

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2018. For historical restatements, the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note disclosure for the prior comparative periods as an estimation basis for applying the retrospective presentation requirements. Upon adoption, EUR (2) as of 31 December 2017 and EUR 2 as of 31 December 2016 of all other components of net defined pension expense except service costs were reclassified from "Selling, general and administrative expenses" to "Other income/(expense), net".

In May 2017, the FASB issued ASU 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting". The amendment in this ASU clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Modification accounting will only be required if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The amendments in this ASU are effective prospectively for fiscal years beginning after 15 December 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this amendment as of 1 January 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception". The amendments in Part I simplify the accounting for certain financial instruments with down round features. Part II replaces today's indefinite deferral of the guidance in Accounting Standards Codification (ASC) 480-102 for certain mandatorily redeemable financial instruments of certain non-public entities and certain mandatorily redeemable noncontrolling interests with a scope exception. The amendments in Part II of this ASU do not require any transition guidance because those amendments do not have an accounting effect. The amendments in this ASU (for Part I) are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2018. Early adoption is permitted, including adoption in any interim period. The Company will adopt this amendment as of 1 January 2019 and is currently assessing the impact of this guidance on the consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging (Topic 815)". The amendments in this ASU provide changes to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The amendments also simplify the application of hedge accounting in certain situations. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2018. Early adoption is permitted. The amended presentation and disclosure guidance is required prospectively. The Company will adopt this amendment as of 1 January 2019 and is currently assessing the impact of this guidance on the consolidated financial statements.

Presentation and reclassifications

Certain reclassifications have been made to prior years' amounts or balances in order to conform to the current year presentation.

Other disclosures required by Swiss law

The detailed disclosures regarding the executive remuneration that are required by Swiss law are included in the Remuneration Report.

Note 2 – Acquisitions

The Company made acquisitions in 2017, 2016, and 2015. The Company does not consider any of its 2017, 2016, or 2015 acquisition transactions to be material, individually or in the aggregate, to its consolidated balance sheets or statements of operations.

The following table illustrates the aggregate impact of the 2017 and 2016 acquisitions:

in EUR	2017	2016
Impact of acquisitions		
Net tangible assets acquired	4	8
Identified intangible assets	30	54
Goodwill	37	129
Deferred tax liabilities		(8)
Total consideration	**71**	**183**

In September 2017, the Company acquired all membership interests of BioBridges, LLC (BioBridges) which provides temporary staffing in the life sciences industry, for EUR 41, net of EUR 1 cash acquired. Goodwill of EUR 19 and intangible assets of EUR 20 were recorded in connection with BioBridges. The purchase price was funded with internal resources. BioBridges was consolidated by the Company as of 8 September 2017, and the results of BioBridges operations have been included in the consolidated financial statements since 8 September 2017. The goodwill of EUR 19 arising from the acquisition consists largely of acquired expertise and increased penetration in the US temporary staffing life science markets.

In October 2017, the Company acquired all outstanding shares of Mullin & Associates, Ltd., (Mullin & Associates), a consulting firm providing individual career transition and redeployment services in the USA, for EUR 22, net of cash acquired. As a result of this acquisition, EUR 14 and EUR 9 of goodwill and identifiable intangible assets, respectively, were recorded. The purchase price was funded with internal resources. Mullin & Associates was consolidated by the Company as of 1 October 2017, and the results of Mullin & Associates' operations have been included in the consolidated financial statements since October 2017. The goodwill of EUR 14 arising from the acquisition consists largely of acquired expertise and increased penetration in the US career transition and redeployment services markets.

In May 2016, the Company acquired all outstanding common shares of Penna Consulting Plc (Penna), the UK market leader in career transition, talent and leadership development and recruitment services, for EUR 122, net of EUR 6 cash acquired. The acquisition of Penna will broaden the Adecco Group's range of services in the UK. Goodwill of EUR 100 and intangible assets of EUR 35 were recorded in connection with Penna. The purchase price was funded with internal resources. Penna was consolidated by the Company as of 1 May 2016, and the results of Penna operations have been included in the consolidated financial statements since May 2016. The goodwill of EUR 100 arising from the acquisition consists largely of acquired expertise and increased penetration in the UK career transition, talent development and recruitment services markets.

In October 2016, the Company acquired all outstanding shares of D4, LLC (D4), a leader in eDiscovery litigation support, for EUR 32, net of cash acquired. As a result of the D4 acquisition, the Company will provide market-leading legal eDiscovery and staffing solutions. Goodwill of EUR 15 and intangible assets of EUR 11 were recorded in connection with D4. The purchase price was funded with internal resources. D4 was consolidated by the Company as of 1 October 2016, and the results of D4 operations have been included in the consolidated financial statements since October 2016. The goodwill of EUR 15 arising from the acquisition consists largely of acquired expertise in the eDiscovery litigation support market.

Total acquisition related costs expensed in 2017, 2016, and 2015 were not significant. Acquisition related costs are included in SG&A within the consolidated statements of operations.

Note 3 – Trade accounts receivable

in EUR	31.12.2017	31.12.2016
Trade accounts receivable	4,503	4,334
Allowance for doubtful accounts	(63)	(66)
Trade accounts receivable, net	**4,440**	**4,268**

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Note 4 – Property, equipment, and leasehold improvements

in EUR	31.12.2017 Gross	31.12.2017 Accumulated depreciation	31.12.2016 Gross	31.12.2016 Accumulated depreciation
Land and buildings	3	(2)	3	(2)
Furniture, fixtures, and office equipment	144	(114)	151	(123)
Computer equipment	189	(157)	199	(170)
Capitalised software	521	(438)	566	(507)
Leasehold improvements	225	(173)	226	(176)
Total property, equipment, and leasehold improvements	**1,082**	**(884)**	**1,145**	**(978)**

Depreciation expense was EUR 77, EUR 85, and EUR 94 for 2017, 2016, and 2015, respectively.

The Company recorded EUR 36, EUR 40, and EUR 50 of depreciation expense in connection with capitalised software in 2017, 2016, and 2015, respectively. The estimated aggregate depreciation expense related to computer software is EUR 35 in 2018, EUR 25 in 2019, EUR 16 in 2020, EUR 4 in 2021, and EUR 3 in 2022.

Note 5 – Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended 31 December 2017 and 31 December 2016 are as follows:

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Japan	Italy	Benelux & Nordics	Lee Hecht Harrison	Other	**Total**
Changes in goodwill										
1 January 2016	**237**	**429**	**1,033**	**631**	**79**	**–**	**235**	**303**	**71**	**3,018**
Additions			58				14	57		129
Allocation to disposals/deconsolidations			(101)						(3)	(104)
Currency translation adjustment		(7)	9		4		2	(1)	1	8
31 December 2016	**237**	**422**	**999**	**631**	**83**	**–**	**251**	**359**	**69**	**3,051**
Additions			19				3	15		37
Allocation to disposals/deconsolidations										
Currency translation adjustment		(44)	(108)	(1)	(7)		(7)	(24)	(2)	(193)
31 December 2017	**237**	**378**	**910**	**630**	**76**	**–**	**247**	**350**	**67**	**2,895**

As of 31 December 2017 and 31 December 2016, the gross goodwill amounted to EUR 3,816 and EUR 3,980, respectively. As of 31 December 2017, accumulated impairment charges amounted to EUR 773 in Germany, Austria, Switzerland, EUR 85 in Australia & New Zealand, EUR 16 in N. America, UK & I. General Staffing, EUR 38 in N. America, UK & I. Professional Staffing, and EUR 9 in India, impacted only by fluctuations in exchange rates, and as of 31 December 2016, EUR 773 in Germany, Austria, Switzerland, EUR 90 in Australia & New Zealand, EUR 17 in N. America, UK & I. General Staffing, EUR 39 in N. America, UK & I. Professional Staffing, and EUR 10 in India.

Effective 1 April 2017 the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. The Company's operations in North America and UK & Ireland have been combined and are managed according to the business lines General Staffing and Professional Staffing. This resulted in a change in the operating segments. The Company allocated goodwill to new reporting units using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed. Prior year information has been restated to conform to the current year presentation.

On 12 December 2016, the Company deconsolidated Beeline following its merger with IQNavigator. In conjunction with the deconsolidation, the Company allocated EUR 101 of goodwill from the N. America, UK & I Professional Staffing reporting unit, decreasing the gain on sale.

Goodwill is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired.

The Company performed its annual impairment test of goodwill in the fourth quarter of 2017, 2016, and 2015 and determined that there was no indication of impairment.

In the third quarter of 2015, the Company performed an interim impairment test based on management's revised five-year projections for sales and earnings based on recent and proposed regulatory changes in Germany and the weaker macroeconomic outlook in certain markets of the Company's business in the third quarter of 2015 compared to the first and second quarter of 2015 and the end of 2014.

Step one of the goodwill impairment test which comprised discounted cash flow valuations and/or multiples analysis of all of the Company's reporting units led to the conclusion that there was no indication of impairment of goodwill except for the 2015 reporting units: Germany & Austria; Australia & New Zealand; and India. Accordingly, the Company proceeded to step two of the goodwill impairment test for those reporting units. In step two, the fair value of all assets and liabilities of the reporting units was determined as if the reporting unit had been acquired on a standalone basis. The fair value of the reporting unit's assets and liabilities was then compared to the reporting unit's value as determined in step one with the excess considered to be the implied goodwill of the reporting unit which resulted in the recognition of a non-cash impairment charge related to goodwill of EUR 740 in the third quarter of 2015.

In determining the fair value of the reporting units, the Company uses expected future revenue growth rates and profit margins, and for the long-term value a long-term growth rate of 2.0%. For each reporting unit, projected cash flows are discounted to their net present values. Discount rates used during the Company's goodwill impairment tests in 2017, 2016, and 2015 ranged from 7.0% to 8.7%.

The carrying amounts of other intangible assets as of 31 December 2017 and 31 December 2016 are as follows:

	31.12.2017		31.12.2016	
in EUR	Gross	Accumulated amortisation	Gross	Accumulated amortisation
Intangible assets				
Marketing related (trade names)	291	(18)	444	(17)
Customer base	349	(275)	422	(341)
Contract	30	(10)	30	(10)
Other			2	(2)
Total intangible assets	**670**	**(303)**	**898**	**(370)**

The carrying amount of indefinite-lived intangible assets was EUR 262 and EUR 410 as of 31 December 2017 and 31 December 2016, respectively. Indefinite-lived intangible assets consist of trade names.

In the third quarter of 2017, the Company performed an interim impairment test of indefinite-lived intangible assets based on the Company's strategy to streamline its brand portfolio. As a result of this strategy an impairment of intangible assets (trade names) of EUR 129 was recognised.

The Company performed its annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2017, 2016, and 2015 and determined that there was no indication of impairment.

The estimated aggregate amortisation expense related to definite-lived intangible assets is EUR 33 in 2018, EUR 22 in 2019, EUR 16 in 2020, EUR 13 in 2021, EUR 7 in 2022, and EUR 14 thereafter. The weighted-average amortisation period for customer base intangible assets is five to ten years.

Note 6 – Equity method investments

Investments in equity affiliates at 31 December 2017 and 31 December 2016 primarily include interests in IQN/Beeline Holdings, LLC and FESCO Adecco Human Resource Services Shanghai Co., Ltd.

IQN/Beeline Holdings, LLC: the Company holds a 43% interest in IQN/Beeline Holdings, LLC, a leading provider of Vendor Management Systems (VMS).

FESCO Adecco Human Resources Services Shanghai Co., Ltd: the Company holds a 49% interest in FESCO Adecco Human Resources Services Shanghai, Co., Ltd a leading human resources provider in China.

The changes in the carrying amount of investments in equity affiliates for the years ended 31 December 2017 and 31 December 2016 are as follows:

in EUR	2017	2016
1 January	**189**	**52**
Additional equity method investments		12
IQN/Beeline investment acquired		123
Proportionate net income of investee companies	8	9
Dividends and distributions received	(3)	(6)
Currency translation adjustment	(21)	(1)
31 December	**173**	**189**

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Note 7 – Financing arrangements

Short-term debt

The Company's short-term debt consists of borrowings under the French commercial paper programme and other short-term debt.

French commercial paper

In August 2010, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, established a French commercial paper programme ("Billet de Trésorerie programme"). Under the programme, Adecco International Financial Services BV may issue short-term commercial paper up to a maximum amount of EUR 500, with maturity per individual paper of 365 days or less. The proceeds are used to fund short-term working capital and borrowing requirements. The paper is usually issued at a discount and repaid at nominal amount at maturity. The discount represents the interest paid to the investors on the commercial paper. The programme is guaranteed by Adecco Group AG. No commercial paper was outstanding as of 31 December 2017 and 31 December 2016.

Other short-term debt

As of 31 December 2017 and 31 December 2016, bank overdrafts and other short-term borrowings amounted to EUR 46 and EUR 18, respectively.

Long-term debt

The Company's long-term debt as of 31 December 2017 and 31 December 2016 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	31.12.2017	31.12.2016
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	495	494
7-year guaranteed Euro medium-term notes	EUR 500	2022	1.5%	499	499
4-year guaranteed USD medium-term notes	USD 300	2021	2.625%	247	
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	107	116
6-year guaranteed Euro medium-term notes	EUR 214	2019	2.75%	214	214
7-year guaranteed Euro medium-term notes	EUR 348	2018	4.75%	348	347
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%		327
				1,910	**1,997**
Less current maturities				(348)	(327)
Long-term debt, less current maturities				**1,562**	**1,670**

8-year guaranteed Euro medium-term notes due 2024

On 2 December 2016, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 medium-term 8-year notes with a coupon of 1.0%, guaranteed by Adecco Group AG, due on 2 December 2024, but callable by the Company at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were primarily used to partially buyback the 2018 and 2019 notes.

7-year guaranteed Euro medium-term notes due 2022

On 18 May 2015, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 medium-term 7-year notes with a coupon of 1.5%, guaranteed by Adecco Group AG, due on 22 November 2022, but callable by the Company at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were used for general corporate purposes.

4-year guaranteed USD medium-term notes due 2021

On 21 November 2017, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued USD 300 medium-term 4-year notes with a coupon of 2.625%, guaranteed by Adecco Group AG, due on 21 November 2021, but callable by the Company at par within 2 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were used for general corporate purposes.

8-year Swiss Franc fixed rate notes and 5-year Swiss Franc fixed rate notes due 2020 and 2017

On 18 July 2012, Adecco Group AG issued CHF 125 fixed rate notes with a coupon of 2.625% (2020 notes) and CHF 250 fixed rate notes with a coupon of 1.875% (2017 notes) due on 18 December 2020 and 18 December 2017, respectively. Furthermore, on 19 October 2012, the Company increased the outstanding 2017 notes by CHF 100. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Exchange. The proceeds were used to fund the share buyback programme approved by the Board of Directors in June 2012. In December 2017, Adecco Group AG settled the 2017 notes at maturity.

6-year guaranteed Euro medium-term notes due 2019

On 16 July 2013, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 400 medium-term 6-year notes with a coupon of 2.75% (2019 notes), guaranteed by Adecco Group AG, due on 15 November 2019, but callable by the Company at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were used for the refinancing of the 5-year guaranteed Euro medium-term notes due on 28 April 2014 and for general corporate purposes.

In December 2016, the Company bought back EUR 186 nominal value at 107.571% of the outstanding 2019 notes and incurred a loss of EUR 15 on the buyback included in other income/(expenses), net. The buyback reduced the nominal value of the outstanding principal of the 2019 notes to EUR 214.

7-year guaranteed Euro medium-term notes due 2018

In April 2011, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, completed tender and exchange offers for the outstanding EUR 500 5-year guaranteed medium-term notes due 2014 (2014 notes) and EUR 500 fixed rate guaranteed notes due 2013 (2013 notes), collectively "old notes" and issued new 7-year fixed rate notes for EUR 500 with a coupon of 4.75% guaranteed by Adecco Group AG, due on 13 April 2018 (2018 notes). The purpose of the transaction was to lengthen the Company's debt maturity profile and to take advantage of favourable market conditions. The 2018 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange.

The exchange and tender were priced at 103.06% for the 2013 notes and at 111.52% for the 2014 notes. In relation to the tender of the old notes, the Company recognised a loss of EUR 11, included in other income/(expenses), net. In addition, a loss of EUR 10 relating to the exchange transaction was deferred and is amortised to interest expense over the life of the 2018 notes.

In December 2016, the Company bought back EUR 152 nominal value at 106.757% of the outstanding 2018 notes and incurred a loss of EUR 11 on the buyback included in other income/(expenses), net. The buyback reduced the nominal value of the outstanding principal of the 2018 notes to EUR 348.

The Company has entered into fair value hedges of the 2018 notes, which are further discussed in Note 11.

Payments of long-term debt translated using 31 December 2017 exchange rates are due as follows:

in EUR	2018	2019	2020	2021	2022	Thereafter	Total
Payments due by year	348	214	107	247	499	495	1,910

Other credit facilities

Committed multicurrency revolving credit facility

The Company maintains a committed EUR 600 multicurrency revolving credit facility with a maturity date of October 2020. The facility is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.35% and 1.05% per annum, depending on certain debt-to-EBITDA ratios. A utilisation fee of 0.10%, 0.20%, and 0.40% applies on top of the interest rate, for cash drawings of up to 33.33%, 66.67%, and above 66.67%, respectively, of the total commitment not used for letters of credit. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of 31 December 2017 and 31 December 2016, there were no outstanding borrowings under the credit facility. As of 31 December 2017, the Company had EUR 587 available under the facility after utilising the Euro equivalent of EUR 13 in the form of letters of credit.

Note 8 – Shareholders' equity

The summary of the components of authorised shares as of 31 December 2017, 31 December 2016, and 31 December 2015 and changes during those years are as follows:

	Outstanding shares	Treasury shares	Issued shares[1]	Conditional capital	Authorised capital	Authorised shares
Changes in components of authorised shares						
1 January 2015	**173,448,569**	**5,633,241**	**179,081,810**	**19,566,804**		**198,648,614**
Share cancellation		(4,606,873)	(4,606,873)			(4,606,873)
Purchased over second trading line (share buyback)	(3,130,750)	3,130,750				
Other treasury share transactions	(3,594)	3,594				
31 December 2015	**170,314,225**	**4,160,712**	**174,474,937**	**19,566,804**		**194,041,741**
Share cancellation		(3,318,750)	(3,318,750)			(3,318,750)
Purchased over second trading line (share buyback)	(188,000)	188,000				
Other treasury share transactions	220,579	(220,579)				
31 December 2016	**170,346,804**	**809,383**	**171,156,187**	**19,566,804**		**190,722,991**
Changes in conditional and authorised capital				(4,166,804)	8,557,809	4,391,005
Purchased over second trading line (share buyback)	(4,201,500)	4,201,500				
Other treasury share transactions	(308,970)	308,970				
31 December 2017	**165,836,334**	**5,319,853**	**171,156,187[2]**	**15,400,000**	**8,557,809**	**195,113,996**

1 Shares at CHF 1 nominal value.

2 Shares at CHF 0.10 nominal value.

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Authorised shares and appropriation of available earnings

As approved by the shareholders at the Annual General Meeting of Shareholders of Adecco Group AG held on 20 April 2017 (2017 AGM), the 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options were cancelled on 18 July 2017. As of 31 December 2016, and 31 December 2015, Adecco Group AG had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of 31 December 2017, 31 December 2016, and 31 December 2015, Adecco Group AG was authorised by its shareholders to issue up to 15,400,000 shares in connection with the issuance of financial instruments, principally convertible bonds. The shares represent conditional capital authorised without time limitation and remain available for share issuance upon conversion of financial instruments issued or to be issued in the future.

Effective 18 July 2017, the Board of Directors are authorised, until 30 April 2019, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,557,809 shares with a nominal value of CHF 0.10 per share, as approved by the shareholders at the 2017 AGM.

Adecco Group AG may only pay dividends based on the requirements of the Swiss Code of Obligations, Articles of Incorporation, and based on the shareholders' equity reflected in the standalone financial statements of Adecco Group AG, the holding company of the Adecco Group, prepared in accordance with Swiss law. As of 31 December 2017, the standalone financial statements of Adecco Group AG included shareholders' equity of CHF 3,569 (EUR 3,051), of which CHF 17 represent share capital, CHF (380) represent treasury shares, and CHF 3,932 represent reserves and retained earnings. Of the CHF 3,932 balance, an amount of CHF 3 representing 20% of share capital, is restricted based on the Swiss Code of Obligations and cannot be distributed as dividends.

At the 2017 AGM, the shareholders approved the reduction of CHF 0.90 of the nominal value of the Adecco Group AG share, which became effective on 18 July 2017. As of 31 December 2017, the share capital of the Company amounts to CHF 17 divided into 171,156,187 shares with a nominal value of CHF 0.10 per share.

At the 2017 AGM, the shareholders approved two dividends for a total of CHF 2.40 per share outstanding. A dividend of CHF 1.50 was directly distributed to shareholders from voluntary retained earnings in May 2017 and amounted to EUR 235. The second dividend which resulted in a reduction of CHF 0.90 of the nominal value of the Adecco Group AG share was distributed to shareholders on 24 July 2017 and amounted to EUR 139.

For 2017, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be distributed from voluntary retained earnings to the shareholders.

Treasury shares

In 2017, 2016, and 2015, the number of treasury shares acquired on the regular trading line amounted to 597,279, 45,000, and 319,905, respectively, and the net consideration paid amounted to EUR 39, EUR 3, and EUR 20, respectively.

In 2017, 2016, and 2015, the Company awarded 19,684 treasury shares, 24,936 treasury shares, and 19,991 treasury shares, respectively, to the Board of Directors as part of their remuneration package (refer to section 5.1 "Board of Directors' remuneration and shareholding" within the Remuneration Report). In addition, in 2017, 2016, and 2015, 268,625 treasury shares, 240,643 treasury shares, and 296,320 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

The Company launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 250 announced in November 2014 (completed in January 2016).
- EUR 300 announced in March 2017 (completed in March 2018).

As of 31 December 2017, 31 December 2016, and 31 December 2015, Adecco Group AG held 4,201,500 shares, no shares, and 3,130,750 shares, respectively, acquired under the share buyback programmes. The Company acquired 4,201,500 shares for EUR 275 in 2017, 188,000 shares for EUR 11 in 2016 and 3,130,750 shares for EUR 207 in 2015, respectively, under the share buyback programmes.

In March 2018, the Company launched a new share buyback programme of up to EUR 150 with the aim of subsequently cancelling the shares and reducing share capital.

As of 31 December 2017, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Company's long-term incentive plan (for further details refer to Note 9) as well as for the Board of Directors' remuneration.

The Board of Directors of Adecco Group AG will propose to the Annual General Meeting of Shareholders of 19 April 2018 a reduction of share capital through the cancellation of 4,580,260 shares repurchased under the EUR 300 share buyback programme consisting of 4,201,500 shares repurchased as of 31 December 2017 and 378,760 shares acquired from 1 January 2018 to 9 March 2018.

No dividends are distributed in relation to treasury shares.

Accumulated other comprehensive income/(loss), net

The components of accumulated other comprehensive income/(loss), net of tax, are as follows:

in EUR	31.12.2017	31.12.2016	31.12.2015
Currency translation adjustment	(266)	47	30
Change in fair value of marketable securities		1	
Unrealised gain on cash flow hedging activities			1
Pension-related adjustments	(25)	(38)	(44)
Accumulated other comprehensive income/(loss), net	**(291)**	**10**	**(13)**

In 2017, 2016, and 2015, an amount of EUR 1 (net of tax of less than EUR 1), EUR 3 (net of tax of EUR 1), and EUR 3 (net of tax of EUR 1), respectively, was reclassified from accumulated other comprehensive income/(loss), net to SG&A in the statement of operations in connection with pension-related adjustments. Additionally, an amount of EUR 1 (net of tax of less than EUR 1) was reclassified from accumulated other comprehensive income/(loss), net to interest expense in the statement of operations in connection with cash flow hedging activities in 2016, whereas no significant amounts were reclassified in 2017 and 2015.

Note 9 – Stock-based compensation

As of 31 December 2017, the Company had non-vested share awards outstanding relating to its common shares. Compensation expense of EUR 14, EUR 12, and EUR 21 was recognised in 2017, 2016, and 2015, respectively, in connection with the non-vested share awards granted in 2017, 2016, and 2015. The total income tax benefit recognised related to stock compensation amounted to EUR 3 in 2017, EUR 3 in 2016, and EUR 5 in 2015.

Non-vested share award plans

Performance share awards were granted in March 2017, 2016, and 2015 to the members of the Executive Committee under the Company's long-term incentive plan (LTIP). The awards contain an undertaking to deliver a number of Adecco Group AG shares to the participants of the plan after the end of the performance period (end of performance period for the 2017, 2016, and 2015 awards 31 December 2019, 31 December 2018, and 31 December 2017, respectively). The requisite service period represents three calendar years starting on 1 January 2017, 1 January 2016, and 1 January 2015, respectively. The delivery of the shares will be made, provided and to the extent that, the predefined market and performance targets are met. Those awards that do not vest due to lack of fulfilment lapse immediately.

The awards granted in 2017 and 2016 relate to:

- the relative change in the Company's shareholder value including reinvested dividends (total shareholder return (TSR)), compared to that of a predefined group of peers (relative TSR awards).

The awards granted in 2015 relate to:

- the relative change in the Company's shareholder value including reinvested dividends (total shareholder return (TSR)), compared to that of a predefined group of peers (relative TSR awards);
- the average adjusted Group EBITA margin (EBITA margin awards) performance against a target for 2015 to 2017 for the grant 2015: The adjusted EBITA margin of the Adecco Group is the EBITA as a percentage of revenues adjusted for restructuring and integration costs; and income or expenses relating to years prior to 2015 for the grant 2015 impacting revenues and/or EBITA, if material. EBITA refers to operating income before amortisation and impairment of goodwill and intangible assets. In case of significant acquisitions and/or divestitures, targets may be adjusted; and
- the adjusted diluted EPS of the Adecco Group (EPS awards) performance against a target for 2017 for the grant 2015: The adjusted diluted EPS of the Adecco Group is the diluted EPS adjusted for: restructuring and integration costs, net of income tax; income or expenses relating to prior years impacting net income attributable to Adecco Group shareholders, if material; and impairment of goodwill and intangible assets, net of income tax.

In addition, service condition awards (restricted share unit awards (RSU awards)) were granted in 2015 to the members of the Executive Committee and were granted in 2017, 2016 and 2015 to a further group of senior managers (approximately 250 individuals in total in each respective year) under the LTIP. The vesting of the RSU awards is not subject to performance targets, but to forfeiture provisions. Provided that the employment relationship continues:

- RSU awards granted to non-French employees will vest in equal portions over a period of three years at the anniversary of the date of grant.
- RSU awards granted to French employees cliff-vest at the second anniversary of the date of grant and their requisite service period represents two calendar years starting on 1 January 2017 for 2017 awards, 1 January 2016 for 2016 awards, and 1 January 2015 for 2015 awards.
- 2015 RSU awards granted to members of the Executive Committee cliff-vest after a period of three years following the date of grant.

The plan foresees that participants who terminate their employment with the Company at their own will and those who receive notice of termination for cause before the end of the performance period (in case of performance share awards) and before the end of the vesting period (in case of RSU awards), will no longer be entitled to the vesting of the awards. In case of an involuntary termination without cause before the end of the performance period, a time-weighted pro rata portion of the unvested performance share awards granted in 2017, 2016, and 2015 will vest at the regular vesting date, depending on the level of target achievement. In case of an involuntary termination without cause before the end of the vesting period, a time-

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weighted pro rata portion of the unvested RSU awards will vest at the regular vesting date. The Company bases its forfeiture rate estimations on historically observed rates as well as employment trends of the plan participants.

TSR awards

The fair value of the relative TSR awards was determined based on the grant date market price of the Adecco Group AG share, less a discount for not being entitled to any dividends over the vesting period, multiplied by the probability factor estimated on the date of grant using a binomial model, with an additional discount applied to the TSR awards granted to French participants due to a 2-year post-vesting restriction on the sale of share awards granted in 2015. The binomial model runs a very large number of share price simulations based on various parameters (share prices, volatilities, dividends, maturity, correlation, etc.). The average result of these simulations provides the probability that the Company's TSR targets will be achieved. The implied volatility was determined by reference to the implied volatilities of various listed options in the listed option market (Eurex) and interpolated by calculation models. The expected dividend yield is based on expectations for future dividends from research analysts as well as implied dividend yields obtained from option prices traded in the Eurex.

The risk-free rate is extracted from the Swiss government bond yield curve, which is constructed by interpolation out of the observed trading prices of various Swiss government bonds. The assumptions used are as follows:

	2017	2016	2015
Assumptions used for the estimation of the fair value of the TSR awards			
Implied at-the-money volatility	**22.3%**	27.0%	23.26%
Expected dividend yield	**3.57%**	3.87%	2.83%
Expected term	**3 years**	3 years	2.8 years
Risk-free rate	**-0.68%**	-0.71%	-0.68%

Since the probability of the market condition being met is considered in the fair value of the TSR awards, compensation expense is recognised on a straight-line basis over the requisite service period regardless of fulfilment of the market condition.

A summary of the status of the Company's non-vested TSR awards as of 31 December 2017, 31 December 2016, and 31 December 2015 and changes during those years are as follows:

	Relative TSR awards		Absolute TSR awards		Additional TSR awards	
	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the non-vested TSR awards						
Non-vested share awards outstanding as of 1 January 2015	**63,835**	**22**	**45,499**	**17**	**45,499**	**11**
Granted	16,948	30				
Forfeited	(7,962)	27	(1,776)	16	(1,776)	10
Lapsed	(22,760)	19			(22,760)	12
Vested			(22,760)	18		
Non-vested share awards outstanding as of 31 December 2015	**50,061**	**25**	**20,963**	**16**	**20,963**	**10**
Granted	199,894	24				
Forfeited						
Lapsed	(20,963)	20			(20,963)	10
Vested			(20,963)	16		
Non-vested share awards outstanding as of 31 December 2016	**228,992**	**24**	**–**	**–**	**–**	**–**
Granted	186,217	27				
Forfeited	(7,185)	24				
Lapsed	(15,629)	27				
Vested						
Non-vested share awards outstanding as of 31 December 2017	**392,395**	**25**	**–**	**–**	**–**	**–**

EBITA margin awards and EPS awards

The fair value of the EBITA margin awards and the EPS awards were determined based on the grant date market price of the Adecco Group AG share less a discount for not being entitled to any dividends over the vesting period. An additional discount is applied to determine the fair value of the EBITA margin awards and EPS awards granted to French participants due to a 2-year post-vesting restriction on the sale of share awards. Compensation expense of such performance condition share awards is recognised on a straight-line basis over the requisite service period, based on estimated achievement which is assessed on a quarterly basis. The expense impact of changes in the estimated attainment is recognised in the quarter of change as a cumulative adjustment to prior quarters' expense. No EBITA margin awards or EPS awards were awarded in 2017 or 2016.

A summary of the status of the Company's non-vested EBITA margin awards and EPS awards as of 31 December 2017, 31 December 2016, and 31 December 2015, and changes during the year are as follows:

	EBITA margin awards		EPS awards	
	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the non-vested EBITA margin awards and EPS awards				
Non-vested share awards outstanding as of 1 January 2015	**36,670**	**65**	**36,670**	**65**
Granted	33,897	72	33,897	72
Forfeited	(12,373)	70	(12,373)	70
Non-vested share awards outstanding as of 31 December 2015	**58,194**	**68**	**58,194**	**68**
Granted				
Forfeited				
Non-vested share awards outstanding as of 31 December 2016	**58,194**	**68**	**58,194**	**68**
Granted				
Forfeited				
Lapsed	(7,811)	65	(9,685)	65
Vested	(23,445)	65	(21,571)	65
Non-vested share awards outstanding as of 31 December 2017	**26,938**	**72**	**26,938**	**72**

RSU awards

The fair value of the RSU awards was determined based on the grant date market price of the Adecco Group AG share less a discount for not being entitled to any dividends over the vesting period. An additional discount is applied to determine the fair value of the RSU awards granted to French participants due to a 2-year post-vesting restriction on the sale of share awards. Compensation expense of such service condition share awards is recognised on a straight-line basis over the requisite service period, taking into account estimated employee forfeitures.

A summary of the status of the Company's non-vested RSU awards as of 31 December 2017, 31 December 2016, and 31 December 2015 and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of non-vested RSU awards		
Non-vested share awards outstanding as of 1 January 2015	**573,439**	**57**
Granted	252,529	68
Forfeited	(58,138)	64
Cancelled	(214)	67
Vested	(273,560)	50
Non-vested share awards outstanding as of 31 December 2015	**494,056**	**62**
Granted	192,512	52
Forfeited	(26,220)	59
Cancelled	(364)	52
Vested	(219,680)	57
Non-vested share awards outstanding as of 31 December 2016	**440,304**	**60**
Granted	188,676	55
Forfeited	(39,274)	56
Cancelled	(309)	55
Vested	(223,609)	61
Non-vested share awards outstanding as of 31 December 2017	**365,788**	**60**

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As of 31 December 2017, the total unrecognised compensation expense related to non-vested share awards amounted to EUR 12. The cost is expected to be recognised over a weighted-average period of one and a half years. The total fair value of share awards vested in 2017, 2016, and 2015 amounted to EUR 16, EUR 14, and EUR 22, respectively.

In 2015, 9,373 RSU share awards and 22,713 TSR share awards were modified to guarantee vesting, irrespective of fulfilling the requisite service period condition. The modified TSR share awards were subject to achieving the performance condition. The incremental expense in 2015 related to the modification was EUR 1.

Note 10 – Employee benefit plans

In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and both contributory and non-contributory defined benefit plans.

Defined contribution plans and other arrangements

The Company recorded an expense of EUR 84 in 2017, EUR 80 in 2016, and EUR 71 in 2015, in connection with defined contribution plans, and an expense of EUR 63, EUR 50, and EUR 45 in connection with the Italian employee termination indemnity arrangement in 2017, 2016, and 2015, respectively.

The Company sponsors several non-qualified defined contribution plans in the USA for certain of its employees. These plans are partly funded through Rabbi trusts, which are consolidated in the Company's financial statements. As of 31 December 2017 and 31 December 2016, the assets held in the Rabbi trusts amounted to EUR 135 and EUR 141, respectively. The related pension liability totalled EUR 133 and EUR 141 as of 31 December 2017 and 31 December 2016, respectively.

Certain employees in Sweden are covered under the ITP multi-employer pension plan (employer identification number 55927) administered by a union. The data available from the administrator of the plan (Alecta) is not sufficient to determine the projected benefit obligation or the net assets attributable to the Company. Consequently, this plan is reported as a defined contribution plan. As of 31 December 2017 and 31 December 2016, Alecta managed approximately EUR 78,800 and EUR 75,350, respectively of plan assets on behalf of 2 million private individuals and 34,000 companies. Total contributions made by all plan members to this plan in 2016 amounted to approximately EUR 3,000. The information on total contributions made by all plan members in 2017 has not yet been published by Alecta. Contributions made to this plan by the Company amounted to EUR 2 in 2017, EUR 2 in 2016 and EUR 3 in 2015.

Defined benefit plans

The Company sponsors defined benefit plans principally in Switzerland and the UK. These plans provide benefits primarily based on years of service and level of compensation, and are in accordance with local regulations and practices. The defined benefit obligations and related assets of all major plans are reappraised annually by independent actuaries. The measurement date in 2017 and 2016 for all defined benefit plans was 31 December. Plan assets are recorded at fair value, and consist primarily of equity securities, debt securities, and alternative investments. The projected benefit obligation (PBO) is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation (ABO) is the actuarial present value of benefits attributable to employee service rendered to date, but excluding the effects of estimated future pay increases.

Actuarial gains and losses are recognised as a component of other comprehensive income/(loss), net, in the period when they arise. Those amounts are subsequently recognised as a component of net period pension cost using the corridor method.

As of 31 December 2015, the defined benefit plans in the Netherlands were settled and going forward the Company sponsors defined contribution plans in the Netherlands. The fair value of the plan assets exceeded the projected benefit obligation at the time of settlement. As a result, there were no significant cash payments required to settle the plan. A loss on settlement of EUR 8 was recorded as pension expense mainly due to the overfunded status of the plan at the time of settlement.

The components of pension expense, net, for the defined benefit plans are as follows:

	Swiss plan			Non-Swiss plans		
in EUR	**2017**	2016	2015	**2017**	2016	2015
Components of pension expense						
Service cost	17	17	16	7	5	7
Interest cost	2	2	2	2	2	5
Expected return on plan assets	(6)	(5)	(7)	(1)	(2)	(3)
Amortisation of prior years' service costs	(2)	(1)	(1)	1	1	1
Amortisation of net (gain)/loss	1	4	1	1	1	(1)
Loss recognised due to settlement						8
Pension expense, net	**12**	**17**	**11**	**10**	**7**	**17**

The following table provides a reconciliation of the changes in the benefit obligations, the change in the fair value of assets, and the funded status of the Company's defined benefit plans as of 31 December 2017 and 31 December 2016:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Pension liabilities and assets				
Projected benefit obligation, beginning of year	**248**	**248**	**107**	**88**
Service cost	17	17	7	5
Interest cost	2	2	2	2
Participants contributions	81	57		2
Plan amendments		(4)		
Actuarial (gain)/loss	5	(6)	3	13
Acquisitions				5
Benefits paid	(71)	(69)	(6)	(4)
Settlement			(1)	
Foreign currency translation	(23)	3	(4)	(4)
Projected benefit obligation, end of year	**259**	**248**	**108**	**107**
Plan assets, beginning of year	255	236	42	42
Actual return on assets	28	11	1	2
Employer contributions	19	16	4	5
Acquisitions			5	
Participants contributions	81	57		
Benefits paid	(71)	(69)	(4)	(2)
Settlement			(1)	
Foreign currency translation	(25)	4	(2)	(5)
Plan assets, end of year	**287**	**255**	**45**	**42**
Funded status of the plan	**28**	**7**	**(63)**	**(65)**
Accumulated benefit obligation, end of year	**254**	**243**	**103**	**102**

The following amounts are recognised in the consolidated balance sheets as of 31 December 2017 and 31 December 2016:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Pension-related assets				
Other assets	28	7	1	1
Pension-related liabilities				
Other accrued expenses			(1)	(1)
Other liabilities			(63)	(65)
Total	**28**	**7**	**(63)**	**(65)**

As of 31 December 2017, the Company recognised a net loss of EUR 7 and EUR 18 for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net. Furthermore, a net gain of EUR 3 and a net loss of EUR 3 of prior years' service costs were recognised in accumulated other comprehensive income/(loss), net, as of 31 December 2017, for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively. The net loss to be amortised from accumulated other comprehensive income/(loss), net, into earnings, over the next fiscal year amounts to EUR 1 for the non-Swiss defined benefit plans. In addition, a EUR 1 gain and EUR 1 loss of prior years' service costs related to the Swiss defined benefit plan and non-Swiss defined benefit plans, respectively, are to be amortised into earnings from accumulated other comprehensive income/(loss), net, over the next fiscal year. As of 31 December 2016, the Company recognised a net loss of EUR 22 and EUR 17 for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net. Furthermore, a net gain of EUR 4 and a net loss of EUR 3 of prior years' service costs were recognised in accumulated other comprehensive income/(loss), net, as of 31 December 2016, for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively.

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For plans with a PBO in excess of the fair value of plan assets as of 31 December 2017 and 31 December 2016, the total PBO was EUR 104 and EUR 102, respectively, and the fair value of the plan assets was EUR 40 and EUR 36, respectively.

Certain of the Company's pension plans have an ABO that exceeds the fair value of plan assets. For plans with an ABO that exceeds the fair value of plan assets, the aggregated ABO was EUR 99 and EUR 97 as of 31 December 2017 and 31 December 2016, respectively, and the fair value of the plan assets of those plans was EUR 40 and EUR 36, respectively.

The overall expected long-term rate of return on plan assets for the Company's defined benefit plans is based on inflation rates, inflation-adjusted interest rates, and the risk premium of equity investments above risk-free rates of return. Long-term historical rates of return are adjusted when appropriate to reflect recent developments.

The assumptions used for the defined benefit plans reflect the different economic conditions in the various countries. The weighted-average actuarial assumptions are as follows:

	Swiss plan			Non-Swiss plans		
in %	**2017**	2016	2015	**2017**	2016	2015
Weighted-average actuarial assumptions						
Discount rate	0.6	0.6	0.8	1.8	1.9	2.7
Rate of increase in compensation levels	2.1	2.1	2.1	1.5	1.0	1.1
Expected long-term rate of return on plan assets	2.2	2.2	2.2	3.7	4.2	5.0

The investment policy and strategy for the assets held by the Company's pension plans focus on using various asset classes in order to achieve a long-term return on a risk adjusted basis. Factors included in the investment strategy are the achievement of consistent year-over-year results, effective and appropriate risk management, and effective cash flow management. The investment policy defines a strategic asset allocation and a tactical allocation through bands within which the actual asset allocation is allowed to fluctuate. The strategic asset allocation has been defined through asset-liability studies that are undertaken at regular intervals by independent pension fund advisors or by institutional asset managers. Actual invested positions change over time based on short- and longer-term investment opportunities. Equity securities include publicly-traded stock of companies located inside and outside Switzerland. Debt securities include corporate bonds from companies from various industries as well as government bonds. Alternative investments include interest rate risk management funds (liability driven investments) and foreign exchange forwards used to hedge the foreign exchange risk of alternative investments. Real estate funds primarily consist of investments made through a single real estate fund with daily pricing and liquidity.

The Swiss and non-Swiss pension plans' target weighted-average asset allocations as of 31 December 2017 and 31 December 2016, by asset category, are as follows:

	Swiss plan	Non-Swiss plans
in %	Target allocation range	Target allocation range
Weighted-average asset allocations		
Equity securities	20-50	0-5
Debt securities	15-50	20-60
Real estate	5-25	0-5
Other	0-50	0-100

The actual asset allocations of the plans are in line with the target asset allocations.

The fair values of the Company's pension plan assets as of 31 December 2017 and as of 31 December 2016 by asset category are as follows:

31 December 2017

	Swiss plan				Non-Swiss plans			
in EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents	19			19	5			5
Equity securities:								
• Switzerland	45			45				
• Rest of the world	69			69				
Debt securities:								
• Government bonds	12			12	16			16
• Corporate bonds	61			61	2			2
Alternative investments:								
• Commodity funds/private equity	15		12	27				
• Alternative investment funds		10		10	17			17
Real estate funds	37	7		44				
Other					5			5
Total	**258**	**17**	**12**	**287**	**45**			**45**

31 December 2016

	Swiss plan				Non-Swiss plans			
in EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents	1			1				
Equity securities:								
• Switzerland	45			45				
• Rest of the world	66			66				
Debt securities:								
• Government bonds	3			3	17			17
• Corporate bonds	63			63	3			3
Alternative investments:								
• Commodity funds/private equity	12		10	22				
• Alternative investment funds		18		18	17			17
Real estate funds	36	1		37				
Other					5			5
Total	**226**	**19**	**10**	**255**	**42**			**42**

A reconciliation of the change in the fair value measurement of the defined benefit plans' consolidated assets using significant unobservable inputs (Level 3) during the years ended 31 December 2017 and 31 December 2016 is as follows:

in EUR	Swiss plan
Private equity funds	
Balance as of 1 January 2016	**8**
Purchases, sales, and settlements, net	2
Balance as of 31 December 2016	**10**
Purchases, sales, and settlements, net	2
Balance as of 31 December 2017	**12**

The Company expects to contribute EUR 18 to its pension plan in Switzerland and EUR 2 to its non-Swiss plans in 2018.

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Future benefits payments, which include expected future service, are estimated as follows:

in EUR	Swiss plan	Non-Swiss plans
Future benefits payments		
2018	74	5
2019	17	4
2020	16	5
2021	15	4
2022	13	5
Years 2023–2027	55	31

Note 11 – Financial instruments

Risk and use of derivative instruments

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

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

Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of 31 December 2017 and 31 December 2016:

	31.12.2017		31.12.2016	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	**958**	**958**	1,123	1,123
• Short-term investments	**4**	**4**	5	5
• Trade accounts receivable, net	**4,440**	**4,440**	4,268	4,268
Current liabilities:				
• Accounts payable	**766**	**766**	799	799
• Short-term debt	**46**	**46**	18	18
• Current maturities of long-term debt	**348**	**353**	327	334
Non-current liabilities:				
• Long-term debt, less current maturities	**1,562**	**1,622**	1,670	1,755

The Company uses the following methods and assumptions to estimate the fair value of each class of non-derivative financial instruments:

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt

The carrying amount approximates the fair value given the short maturity of such instruments.

- Short-term investments

The fair value for these instruments is based on quoted market prices.

- Long-term debt, including current maturities

The fair value of the Company's publicly-traded long-term debt is estimated using quoted market prices (refer to Note 7 for details of debt instruments).

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of 31 December 2017 and 31 December 2016:

in EUR	Balance sheet location	Notional amount 31.12.2017	Notional amount 31.12.2016	Fair value 31.12.2017	Fair value 31.12.2016
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	194		3	
• Interest rate swap	Other current assets	50			
• Interest rate swap	Other assets		50		1
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	740	445	8	11
• Cross-currency interest rate swap	Other current assets		48		5
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	623	1,256	(8)	(29)
• Cross-currency interest rate swaps	Other liabilities	242		(2)	
Total net derivatives				1	(12)

In addition, accrued interest receivable on interest rate swaps of less than EUR 1 was recorded in other current assets as of 31 December 2017 and as of 31 December 2016. As of 31 December 2017 and as of 31 December 2016, accrued interest receivable on cross-currency interest rate swaps of less than EUR 1 was recorded in other current assets.

The fair value of interest rate swaps and foreign currency contracts are calculated using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap (CDS) applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of 31 December 2017 and 31 December 2016, the total impact of non-performance risk and liquidity risk was an adjustment of EUR 4 and EUR 5, respectively.

Fair value hedges

Interest rate swap, with a notional amount of EUR 50 that contains a receipt of fixed interest rate amounts and payment of floating interest rate amounts, have been designated as fair value hedges of the 2018 notes for EUR 500 (outstanding notional amount after bond buyback of EUR 348) issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of six years and expires in April 2018.

The gain and loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting gain and loss on the related interest rate swaps, both reported as interest expense for 2017, 2016, and 2015, are as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2017	2016	2015	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2017	2016	2015
Interest rate swaps	Interest expense	(1)	(1)	1	Long-term debt	Interest expense		1	(1)

In addition, the Company recorded a gain of less than EUR 1 in 2017, 2016, and 2015 respectively, in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in 2017, 2016, and 2015, due to ineffectiveness in fair value hedge relationships. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in 2017, 2016, or 2015.

Cash flow hedges

There was an effective portion of gains on cash flow hedges recognised in other comprehensive income/(loss), net, of less than EUR 1 as of 31 December 2017, EUR 1 in 31 December 2016 and less than EUR 1 in 31 December 2015, respectively. No gains relating to cash flow hedges are included as a component of accumulated other comprehensive income/(loss) as of 31 December 2017 and 31 December 2016, whereas these gains amounted to EUR 1 as of 31 December 2015. No significant gains or losses were recorded in 2017, 2016, and 2015, due to ineffectiveness in cash flow hedge relationships. In 2017, 2016, and 2015, no significant gains or losses were excluded from the assessment of hedge effectiveness of the cash flow hedges. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

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Net investment hedges

In 2017, the Company has entered into certain derivative contracts that are designated as net investment hedges under ASC 815. Foreign currency forward contracts are mainly used to hedge a portion of certain investments with operations in different currencies against Swiss Francs. There was an effective portion of gains on net investment hedges recognised in accumulated other comprehensive income/(loss), net of EUR 18 as of 31 December 2017. No gains or losses were recorded due to ineffectiveness in the net investment hedge relationships as of 31 December 2017. As of 31 December 2017, losses of EUR 4 were excluded from the assessment of hedge effectiveness of the net investment hedges.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Foreign currency contracts and cross-currency interest rate swaps are used to hedge the net exposure of subsidiary funding advanced in the local operations' functional currency. Contracts are entered into in accordance with the approved treasury policies and procedures, and represent economic hedges. Gains and losses on these contracts are recognised in earnings and are included in other income/(expenses), net, in the accompanying consolidated statements of operations.

In connection with these activities, the Company recorded a net loss of less than EUR 1 in 2017, and a net gain of EUR 5 in 2016 and in 2015 as follows:

in EUR	Location of gain/(loss) on derivative	Gain/(loss) on derivative recognised in earnings				Location of gain/(loss) on related hedged item	Gain/(loss) on related hedged item recognised in earnings		
Derivative	recognised in earnings	2017	2016	2015	Hedged item	recognised in earnings	2017	2016	2015
Cross-currency interest rate swaps	Other income/(expenses), net	(2)	2	5	Loans and receivables to/from subsidiaries	Other income/(expenses), net	2	(1)	(4)
Foreign currency contracts	Other income/(expenses), net	51	7	(64)	Cash, loans, and receivables to/from subsidiaries	Other income/(expenses), net	(51)	(3)	68

Credit risk concentration

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions throughout the world, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

Credit risk, with respect to trade accounts receivable, is dispersed due to the international nature of the business, the large number of customers, and the diversity of industries serviced. The Company's receivables are well diversified and management performs credit evaluations of its customers and, where available and cost-effective, utilises credit insurance.

To minimise counterparty exposure on derivative instruments, the Company enters into derivative contracts with several large multinational banks and limits the exposure in combination with the short-term investments with each counterparty.

Note 12 – Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of 31 December 2017 and 31 December 2016, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
31 December 2017				
Assets				
Available-for-sale securities	4		2	6
Derivative assets		11		11
Liabilities				
Derivative liabilities		10		10
31 December 2016				
Assets				
Available-for-sale securities	5		1	6
Derivative assets		17		17
Liabilities				
Derivative liabilities		29		29

Note 13 – Other income/(expenses), net

For the years 2017, 2016, and 2015, other income/(expenses), net, consist of the following:

in EUR	2017	2016	2015
Foreign exchange gain/(loss), net	(4)	5	5
Interest income	7	4	3
Proportionate net income of equity method investments	8	9	10
Other non-operating income/(expenses), net	(12)	14	(5)
Total other income/(expenses), net	**(1)**	**32**	**13**

In 2017, the other non-operating income/(expenses), net includes a EUR 12 loss related to the sale of OnForce.

In 2016, other non-operating income/(expenses), net, includes a EUR 100 gain related to the deconsolidation of Beeline following its merger with IQNavigator, a loss of EUR 15, EUR 1, and EUR 8 related to the sale of the business in Russia, Ukraine, and Venezuela, respectively, a loss of EUR 26 related to the buyback of the outstanding 2019 and 2018 Adecco International Finance Services BV notes (refer to Note 7 for details), and a EUR 19 expense to establish the Adecco Group Foundation.

Note 14 – Income taxes

Adecco Group AG is incorporated in Switzerland and the Company operates in various countries with differing tax laws and rates. A substantial portion of the Company's operations are outside Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. The weighted-average tax rate is calculated by aggregating pre-tax income or loss in each country in which the Company operates multiplied by the country's statutory income tax rate. Income before income taxes in Switzerland totalled EUR 180, EUR 66, and EUR 88 in 2017, 2016, and 2015, respectively. Foreign source income before income taxes amounted to EUR 759, EUR 969, and EUR 158 in 2017, 2016, and 2015, respectively.

The provision for income taxes consists of the following:

in EUR	2017	2016	2015
Provision for income taxes			
Current tax provision:			
Domestic	12	9	
Foreign	305	263	207
Total current tax provision	**317**	**272**	**207**
Deferred tax provision/(benefit):			
Domestic	16	9	(5)
Foreign	(184)	29	34
Total deferred tax provision/(benefit)	**(168)**	**38**	**29**
Total provision for income taxes	**149**	**310**	**236**

The difference between the provision for income taxes and the weighted-average tax rate is reconciled as follows for the fiscal years:

in EUR	2017	2016	2015
Tax rate reconciliation			
Income taxed at weighted-average tax rate	239	300	57
Items taxed at other than weighted-average tax rate	43	15	(41)
Non-deductible expenses and other permanent items	22	13	(52)
Non-deductible impairment of goodwill			228
Tax treaty adjustment	(1)	(3)	(3)
Net change in valuation allowance	(143)	(1)	55
Other, net	(11)	(14)	(8)
Total provision for income taxes	**149**	**310**	**236**

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In 2017, 2016, and 2015, the reconciling item "items taxed at other than weighted-average tax rate" includes the French business tax. In accordance with French legislation, a portion of the business tax is computed based on added value and consequently, under US GAAP, this component is reported as income tax. Furthermore, in 2017, 2016, and 2015, the reconciling item "items taxed at other than weighted-average tax rate" includes EUR 24 negative impact related to prior year movements in tax contingencies, and EUR 6, and EUR 41 positive impact respectively, related to the settlement of tax contingencies, and additionally the impact of CICE (tax credit for competitiveness and employment), which is non-taxable.

In 2017, 2016, and 2015, the reconciling item "non-deductible expenses and other permanent items" includes permanent items primarily related to intercompany provisions, foreign exchange, and other write-offs that are deductible for tax purposes, but have no impact on the consolidated financial statements.

In 2017, 2016, and 2015, the reconciling item "tax treaty adjustment" relates to an adjustment to income tax expense based on a double taxation treaty between two tax jurisdictions.

In 2017, the positive impact of the reconciling item "net change in valuation allowance" is mainly related to a EUR 115 decrease in valuation allowance on prior year and current year losses and changes in temporary differences in France due to tax law changes, and a EUR 22, EUR 3, EUR 2, and EUR 2 decrease in valuation allowance on prior year losses in Switzerland, Denmark, Australia, and Brazil respectively.

In 2016, the reconciling item "net change in valuation allowance" includes EUR 20 valuation allowance on prior year and current year losses and changes in temporary differences in France, EUR 3 and EUR 2 valuation allowance on current year losses in Australia and Germany, respectively. This was partially offset by a EUR 12 decrease in valuation allowance on prior year losses in both Switzerland and the USA, respectively. In 2015, the reconciling item "net change in valuation allowance" includes EUR 36 valuation allowance on current year Swiss losses, EUR 28, EUR 9, and EUR 7 valuation allowance on prior year and current year losses in Germany, Norway, and Australia, respectively. This was partially offset by a EUR 24 decrease in valuation allowance on prior year losses and changes in temporary differences in France.

In 2017, the positive impact of the reconciling item "Other, net" includes a positive EUR 16 impact due to the rate change on deferred taxes offset by the one-time transition tax as a result of the US Tax Cuts and Jobs Act enacted on 22 December 2017.

As of 31 December 2017 and 31 December 2016, a deferred tax liability of EUR 20 and EUR 12, respectively, has been provided for non-Swiss withholding taxes and additional Swiss taxes due upon the future dividend payment of cumulative undistributed earnings which are not considered permanently reinvested. In 2017 and 2016, the Company has not provided for Swiss income taxes on one of its Swiss subsidiaries' undistributed earnings as such amounts are considered permanently reinvested. As of 31 December 2017 and 31 December 2016, such earnings amounted to approximately EUR 3,534 and EUR 3,585, respectively. Furthermore, in 2017 and 2016, the Company has not provided for income and withholding taxes on certain non-Swiss subsidiaries' undistributed earnings as such amounts are considered permanently reinvested. As of 31 December 2017 and 31 December 2016, such earnings amounted to approximately EUR 102 and EUR 513, respectively. It is not practicable to estimate the amount of taxes that would be payable upon remittance of these earnings.

Temporary differences that give rise to deferred income tax assets and liabilities are as follows:

in EUR	31.12.2017	31.12.2016
Temporary differences		
Net operating loss carryforwards and capital losses	214	233
Tax credits	6	10
Depreciation	10	10
Deferred compensation and accrued employee benefits	65	77
Allowance for doubtful accounts	10	13
Accrued expenses	68	95
Elimination of intercompany transactions	31	47
Other	10	13
Gross deferred tax assets	**414**	**498**
Unrecognised tax benefits provision, net	(52)	(17)
Valuation allowance	(113)	(263)
Deferred tax assets, net	**249**	**218**
Intangible assets book basis in excess of tax basis	(70)	(124)
Tax amortisation in excess of financial amortisation	(87)	(128)
Undistributed earnings of subsidiaries	(20)	(12)
Investment book basis in excess of tax basis	(21)	(34)
Other		
Deferred tax liabilities	**(198)**	**(298)**
Deferred tax assets/(liabilities), net	**51**	**(80)**

Management's assessment of the realisation of deferred tax assets is made on a country-by-country basis. The assessment is based upon the weight of all available evidence, including factors such as the recent earnings history and expected future taxable income. A valuation allowance is recorded to reduce deferred tax assets to a level which, more likely than not, will be realised.

Valuation allowance on deferred tax assets of foreign and domestic operations decreased by EUR 150 to EUR 113. Included in the change of the valuation allowance is a net decrease of EUR 51 due to changes in temporary differences, a net decrease of EUR 93 for current and prior years' losses and a net decrease of EUR 6 related to changes in enacted tax rates and foreign currency fluctuations.

The following table summarises the deferred tax assets and deferred tax liabilities reported by the Company as of 31 December 2017 and 31 December 2016:

in EUR	Balance sheet location	31.12.2017	31.12.2016
Deferred tax assets	Other assets	176	93
Deferred tax liabilities	Other liabilities	(125)	(173)
Deferred tax assets/(liabilities), net		**51**	**(80)**

As of 31 December 2017, the Company had approximately EUR 842 of net operating loss carryforwards and capital losses. These losses will expire as follows:

in EUR	2018	2019	2020	2021	2022	Thereafter	No expiry	Total
Expiration of losses by year	63	12	12	16	158	43	538	842

The largest net operating loss carryforwards and capital losses are EUR 773 as of 31 December 2017 in France, Germany, Switzerland, the Netherlands, Belgium, Norway, the UK, Brazil, the USA and Australia. The losses in the Netherlands, Belgium, Switzerland, the USA and Norway begin to expire in 2018, 2018, 2022, 2022, and 2024, respectively. The losses in France, Germany, the UK, Brazil and Australia do not expire. In addition, tax credits of EUR 8 are mainly related to Spain and the USA operations and begin to expire in 2018.

As of 31 December 2017, the amount of unrecognised tax benefits including interest and penalties is EUR 87, of which EUR 76 would, if recognised, decrease the Company's effective tax rate. As of 31 December 2016, the amount of unrecognised tax benefits including interest and penalties was EUR 50, of which EUR 35 would have, if recognised, decreased the Company's effective tax rate.

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The Company recognises interest and penalties related to unrecognised tax benefits as a component of the provision for income taxes. As of 31 December 2017 and 31 December 2016, the amount of interest and penalties recognised in the balance sheet amounted to EUR 3 in both periods. The total amount of interest and penalties recognised in the statement of operations was a net benefit of less than EUR 1 in 2017, less than EUR 1 in 2016, and EUR 5 in 2015, respectively.

The following table summarises the activity related to the Company's unrecognised tax benefits excluding interest and penalties:

in EUR	Unrecognised tax benefits
Balance as of 1 January 2015	**75**
Increases related to current year tax positions	9
Expiration of the statute of limitations for the assessment of taxes	(13)
Settlements with tax authorities	(6)
Additions to prior years	2
Decreases to prior years	(24)
Foreign exchange currency movement	2
Balance as of 31 December 2015	**45**
Increases related to current year tax positions	9
Expiration of the statute of limitations for the assessment of taxes	(5)
Settlements with tax authorities	(1)
Additions to prior years	2
Decreases to prior years	(2)
Foreign exchange currency movement	(1)
Balance as of 31 December 2016	**47**
Increases related to current year tax positions	15
Expiration of the statute of limitations for the assessment of taxes	(6)
Additions to prior years	33
Decreases to prior years	(2)
Foreign exchange currency movement	(3)
Balance as of 31 December 2017	**84**

In 2017, the item "additions to prior years" includes a EUR 24, EUR 5, and EUR 3 increase related to prior year tax positions in France, Denmark, and Switzerland, respectively, mainly related to changes in estimates due to current year audit activity. The item "decreases to prior years" include a favourable impact of EUR 2 to income tax expense, mainly due to various settlements of contingencies.

In 2016, the items "settlements with tax authorities" and "decreases to prior years" include cash payments and reduction of net operating losses carryforwards of EUR 1, and a favourable impact of EUR 2 to income tax expense, mainly due to various settlements of contingencies. Furthermore, in 2016 the item "additions to prior years" mainly relates to changes in estimates due to current year audit activity.

In 2015, the items "decreases to prior years" and "settlements with tax authorities" include cash payments and reduction of net operating losses carryforwards of EUR 6, and a favourable impact of EUR 18 to income tax expense, mainly due to various settlements of contingencies. Furthermore, in 2015 the item "additions to prior years" mainly relates to changes in estimates due to current year audit activity and acquisitions.

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The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statute of limitations. The open tax years by major jurisdiction are as follows:

Country	Open tax years
Australia	2014 onwards
Belgium	2015 onwards
Canada	2009 onwards
France	2012 onwards
Germany	2010 onwards
Italy	2013 onwards
Japan	2011 onwards
Mexico	2012 onwards
Netherlands	2012 onwards
Spain	2014 onwards
UK	2014 onwards
USA	2016 onwards

In certain jurisdictions, the Company may have more than one tax payer. The table above reflects the statute of limitations of years open to examination for the major tax payers in each major tax jurisdiction.

Based on the outcome of examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change in the next 12 months from those recorded as liabilities for uncertain tax positions in the financial statements. An estimate of the range of the possible changes cannot be made until issues are further developed or examinations close.

Significant estimates are required in determining income tax expense and benefits. Various internal and external factors may have favourable or unfavourable effects on the future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits, and changes in the overall level of pre-tax earnings.

Note 15 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	2017		2016		2015	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income attributable to Adecco Group shareholders	**788**	**788**	**723**	**723**	**8**	**8**
Denominator						
Weighted-average shares	**168,745,176**	**168,745,176**	**170,292,621**	**170,292,621**	**172,526,685**	**172,526,685**
Incremental shares for assumed conversions:						
• Employee stock-based compensation		355,347		233,220		185,529
Total average equivalent shares	**168,745,176**	**169,100,523**	**170,292,621**	**170,525,841**	**172,526,685**	**172,712,214**
Per share amounts						
Net earnings per share	**4.67**	**4.66**	**4.24**	**4.24**	**0.05**	**0.05**

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in millions, except share and per share information

Note 16 – Segment reporting

Effective 1 April 2017 the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. The Company's operations in North America and UK & Ireland have been combined and are managed according to the business lines General Staffing and Professional Staffing. Prior year information has been restated to conform to the current year presentation.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Lee Hecht Harrison; and the Rest of World segments that comprise Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India segments. The business lines consist of General Staffing (Office, Industrial) and Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), as well as Solutions. Solutions comprises Career Transition & Talent Development (CTTD), and Business Process Outsourcing (BPO) which includes Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO), and Digital. BPO included Vendor Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger with IQNavigator. The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

The Company evaluates the performance of its segments based on operating income before amortisation and impairment of goodwill and intangible assets, which is defined as the amount of income before amortisation and impairment of goodwill and intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, equity method investments, other assets, intangible assets, net, and goodwill, but exclude investments in subsidiaries and intercompany balances. The accounting principles used for the segment reporting are those used by the Company.

Revenues derived from temporary staffing represented 88% in 2017, 88% in 2016, and 89% in 2015 of the Company's revenues. The remaining portion was derived from permanent placement, outsourcing, career transition, and other services.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2017 segment reporting											
Revenues	5,350	3,017	3,608	2,185	2,079	1,837	1,276	424	3,884		23,660
Depreciation	(18)	(9)	(6)	(6)	(5)	(3)	(3)	(4)	(12)	(11)	(77)
Operating income before amortisation and impairment of goodwill and intangible assets	342	92	208	95	72	141	86	119	148	(150)	1,153
Amortisation of intangible assets											(32)
Impairment of intangible assets											(129)
Operating income											992
Interest expense and other income/(expenses), net											(53)
Provision for income taxes											(149)
Net income											**790**
Capital expenditures	(15)	(14)	(6)	(8)	(7)	(4)	(3)	(2)	(14)	(27)	(100)
Equity method investments	4		108						59	2	173
Segment assets	1,831	1,507	1,775	1,187	748	385	406	547	1,075	429	9,890
Long-lived assets[1]	294	167	13	54	18	13	18	14	59	40	690

1 Long-lived assets include fixed assets and other assets excluding deferred tax assets.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2016 segment reporting											
Revenues	4,947	3,079	3,769	2,175	1,897	1,464	1,276	432	3,669		22,708
Depreciation	(19)	(10)	(10)	(5)	(5)	(2)	(4)	(5)	(16)	(9)	(85)
Operating income before amortisation and impairment of goodwill and intangible assets	321	114	216	101	69	114	84	111	111	(145)	1,096
Amortisation of intangible assets											(34)
Operating income											1,062
Interest expense and other income/(expenses), net											(27)
Provision for income taxes											(310)
Net income											**725**
Capital expenditures	(15)	(5)	(10)	(8)	(7)	(3)	(2)	(3)	(12)	(11)	(76)
Equity method investments	4		123						57	5	189
Segment assets	1,567	1,666	1,980	1,233	706	315	377	593	1,048	614	10,099
Long-lived assets[1]	249	165	45	31	15	10	17	16	56	24	628

1 Long-lived assets include fixed assets and other assets excluding deferred tax assets.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2015 segment reporting											
Revenues	4,714	3,113	3,842	2,190	1,815	1,300	1,119	396	3,521		22,010
Depreciation	(19)	(12)	(10)	(6)	(6)	(2)	(5)	(4)	(16)	(14)	(94)
Operating income before amortisation and impairment of goodwill and intangible assets	331	117	231	135	56	94	54	104	121	(162)	1,081
Amortisation of intangible assets											(41)
Impairment of goodwill											(740)
Operating income											300
Interest expense and other income/(expenses), net											(54)
Provision for income taxes											(236)
Net income											**10**
Capital expenditures	(9)	(6)	(11)	(5)	(4)	(2)	(10)	(3)	(14)	(33)	(97)
Equity method investments	3								49		52
Segment assets	1,365	1,602	1,909	1,193	647	265	293	508	1,021	793	9,596
Long-lived assets[1]	241	134	30	12	12	9	18	16	77	27	576

1 Long-lived assets include fixed assets and other assets excluding deferred tax assets.

Notes to consolidated financial statements continued

in millions, except share and per share information

Information by country is as follows:

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Revenues									
2017	5,426	4,362	2,121	1,645	1,279	1,841	480	6,506	23,660
2016	5,025	4,564	2,190	1,655	1,279	1,468	464	6,063	22,708
2015	4,807	4,537	2,275	1,649	1,122	1,304	485	5,831	22,010
Long-lived assets[1]									
2017	301	174	11	13	18	13	76	84	690
2016	258	205	10	15	17	10	36	77	628
2015	251	155	12	10	18	9	25	96	576

1 Long-lived assets include fixed assets and other assets excluding deferred tax assets.

Revenues by business line are as follows:

in EUR	Office	Industrial	Information Technology	Engineering & Technical	Finance & Legal	Medical & Science	Solutions	Total
Revenues								
2017	5,606	12,299	2,519	1,139	999	503	595	23,660
2016[1]	5,390	11,509	2,586	1,108	1,001	461	653	22,708
2015[1]	5,218	11,115	2,597	1,142	927	407	604	22,010

1 Certain reclassifications have been made in order to conform to the current period presentation.

Note 17 – Commitments and contingencies

The Company leases facilities under operating leases, certain of which require payment of property taxes, insurance, and maintenance costs. Operating leases for facilities are usually renewable at the Company's option.

Total rent expense under operating leases amounted to EUR 225 in 2017, EUR 228 in 2016, and EUR 225 in 2015. Future minimum annual lease payments under operating leases translated using 31 December 2017 exchange rates are as follows:

in EUR	2018	2019	2020	2021	2022	Thereafter	Total
Operating leases	180	126	89	56	35	34	520

As of 31 December 2017, the Company has future purchase and service contractual obligations of approximately EUR 131, primarily related to IT development and maintenance agreements, marketing sponsorship agreements, equipment purchase agreements, and other supplier commitments. Future payments under these arrangements translated using 31 December 2017 exchange rates are as follows:

in EUR	2018	2019	2020	2021	2022	Thereafter	Total
Purchase and service contractual obligations	59	26	16	15	15		131

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 726 including those letters of credit issued under the multicurrency revolving credit facility (EUR 13). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

In the ordinary course of business, the Company is involved in various legal actions and claims, including those related to social security charges, other payroll-related charges, and various employment related matters. Although the outcome of the legal proceedings cannot be predicted with certainty, the Company believes it has adequately reserved for such matters.

Note 18 – Enterprise risk management

The Company's Board of Directors, who are ultimately responsible for the risk management of the Company, has delegated its execution to Group management.

The enterprise risk management process is embedded into the Company's strategic and organisational context. The process is focused on managing risks as well as identifying opportunities. The Company's risk management process covers the significant risks for the Company including financial, operational and strategic risks. All segments perform the risk management process on a regular basis and report their results to Group management. The Company's risk management activities consist of risk identification, risk analysis, risk mitigation and risk monitoring.

The Company's Enterprise Risk Management Steering Committee supports the segments when identifying risks. The Steering Committee has provided an extensive risk catalogue defining risk categories which can have a significant impact on the Company's results. Those key recurring risk categories are, amongst others, economic environment, client attraction and retention, associate attraction and retention, employee attraction and retention, financial risk, Information Technology, changes in regulatory/legal and political environment, compliance with laws, disruptive technologies, and data protection. All risk categories are considered in the assessment performed by all segments within the Company.

The risk assessment includes the following steps: identification of risks that could impact on the financial results or strategic achievements, assessment of the likelihood of the risk occurrence, assessment of the effectiveness of existing internal controls, and development of action plans needed to mitigate the risk to an acceptable level.

The risk assessment is aligned with the Company's organisational structure. The segments report to Group management a comprehensive risk assessment, including mitigating actions. At the Group management level, the individual segment results are reviewed and discussed with the segments before being consolidated. Risk monitoring is performed at Group level on a regular basis.

The financial reporting risk includes the failure to comply with external reporting requirements due to failure of internal controls and lack of knowledge of financial reporting requirements relating to accounting and reporting. The Company has implemented a Group Policy environment as well as an Internal Control System in order to mitigate the risk of failure to comply with financial reporting requirements. The Company's Internal Control System is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements.

The financial market risk primarily relates to foreign currency exchange rates and interest rates and is further discussed in Note 11. These exposures are actively managed by the Company in accordance with written policies approved by the Board of Directors. The Company's objective is to minimise, where deemed appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. It is the Company's policy to use a variety of derivative financial instruments to hedge these exposures in the absence of natural hedges.

The Company concluded that the risk management process has worked properly throughout 2017.

Note 19 – Subsequent events

In February 2018, the Company acquired Vettery, Inc. (Vettery), a digital professional permanent recruitment marketplace for approximately EUR 85. Vettery was consolidated by the Company as of 20 February 2018 and the results of Vettery's operations have been included in the consolidated financial statements since 20 February 2018.

The Company has evaluated subsequent events through 14 March 2018, the date the consolidated financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to 14 March 2018 that would have a material impact on the consolidated financial statements.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Adecco Group AG, Zürich

As statutory auditor, we have audited the consolidated financial statements of Adecco Group AG, which comprise the consolidated balance sheets as of 31 December 2017 and 2016, and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity, and notes hereto (pages 99 to 135), for each of the three years in the period ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the consolidated financial position of Adecco Group AG as of 31 December 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2017, in accordance with accounting principles generally accepted in the United States and comply with Swiss law.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Revenue recognition and recoverability of trade accounts receivable

Area of focus The Company applies judgment regarding the recognition of complex service contracts and in determining whether a sales arrangement needs to be recognized on a gross or on a net basis (principal versus agent considerations). Judgment is also applied when accruing revenue. Trade accounts receivable represent 45% of the Group's total assets and 124% of the Group's total shareholders' equity as of December 2017. The Company applies judgment to its ability to collect outstanding receivables on an entity-by-entity basis. Due to the significance of revenues and the carrying values for trade accounts receivable and the judgment involved, this matter was considered significant to our audit. Refer to Note 16 and Note 3 to the consolidated financial statements for the Company's disclosure on revenue and trade accounts receivable respectively.

Our audit response We assessed the Company's internal controls over its significant revenue and trade accounts receivable processes. We selected samples of service contracts and revenue transactions to assess their occurrence, completeness and measurement. Furthermore, we performed procedures concerning the existence and valuation of trade accounts receivable, including debtor circularization. To assess the net realizable value of trade accounts receivable, we evaluated specific individual circumstances of a debtor, the aging of receivables, historical collection data and current economic trends.

Goodwill and indefinite-lived intangible assets

Area of focus Goodwill and indefinite-lived intangible assets represent 32% of the Group's total assets and 88% of the Group's total shareholders' equity as of December 2017. As stated in Note 1 to the consolidated financial statements, the carrying value of goodwill and indefinite-lived intangible assets is tested annually for impairment. The Company performed its annual impairment test of goodwill and indefinite-lived intangible assets in the fourth quarter of 2017 and determined that there was no impairment. Key assumptions concerning the impairment test are disclosed in Note 5 to the consolidated financial statements. In determining the fair value of reporting units and indefinite-lived intangible assets, the Company must apply judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Due to the significance of the carrying values for goodwill and indefinite-lived intangible assets and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

Our audit response We assessed the Company's internal controls over its annual impairment test and key assumptions applied. We evaluated Management's interpretation of reporting units. We involved EY valuation specialists to assist in examining the Company's valuation model and analyzing the underlying key assumptions, including long-term growth and discount rates. We assessed future revenues and margins and the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including industry reports, economic outlooks, analyst reports and data from competitors.

Significant judgment involved regarding deferred tax balances and current income tax positions

Area of focus Significant judgment is involved in determining deferred tax balances and current income tax positions. The assessment is complex, since the Company engages in intercompany transactions and arrangements concerning multiple tax jurisdictions. Due to the significance and materiality of the deferred tax balances and current income tax positions and the judgment involved in determining these, this matter was considered significant to our audit. Refer to Note 14 to the consolidated financial statements for the Company's disclosures on income taxes.

Our audit response We assessed the Company's internal controls over its taxation processes and key assumptions applied. We considered the Company's transfer pricing concept, changes thereto and the corresponding documentation. We assessed the Company's correspondence with tax authorities and inquired regarding ongoing tax audits and potential disputes. We considered developments in tax legislation and their reflection in the Company's assumptions. We evaluated whether the key assumptions applied in the Company's annual impairment test for goodwill and indefinite-lived intangible assets were consistently applied in determining the deferred tax balances and current income tax positions, in particular the recoverability of deferred tax assets. Throughout our audit, we involved tax specialists to assist in examining the Company's tax methodologies and analyzing the underlying key assumptions.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ André Schaub	/s/ Jolanda Dolente
André Schaub	**Jolanda Dolente**
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zürich, Switzerland
14 March 2018

Balance sheets

in millions, except share and per share information

As of (in CHF)	Note	31.12.2017	31.12.2016
Assets			
Current assets:			
• Cash and cash equivalents		327	163
• Receivables			
– from subsidiaries		69	68
– from third parties		5	
• Current financial assets		12	16
• Other current assets		13	12
Total current assets		**426**	**259**
Non-current assets:			
• Loans to subsidiaries, net		1,680	2,340
• Investments in subsidiaries, net	2	9,601	9,433
• Software and other intangible assets, net		27	24
• Fixed assets, net		5	
• Other non-current assets		10	4
Total non-current assets		**11,323**	**11,801**
Total assets		**11,749**	**12,060**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Payables			
– to subsidiaries		103	63
– to third parties		27	5
• Current maturities of long-term interest-bearing debt	4		350
• Other current liabilities		63	90
Total current liabilities		**193**	**508**
Non-current liabilities:			
• Long-term interest-bearing debt			
– from subsidiaries		7,837	7,497
– from third parties	4	125	125
• Other non-current liabilities		25	24
Total non-current liabilities		**7,987**	**7,646**
Total liabilities		**8,180**	**8,154**
Shareholders' equity			
Share capital		17	171
Statutory reserves from capital contribution	7	2	2
Statutory retained earnings	7	407	407
Voluntary retained earnings	7	3,523	3,374
Treasury shares	8	(380)	(48)
Total shareholders' equity		**3,569**	**3,906**
Total liabilities and shareholders' equity		**11,749**	**12,060**

The accompanying notes are an integral part of these financial statements.

Statements of operations

in millions, except share and per share information

For the fiscal years ended 31 December (in CHF)	Note	2017	2016
Royalties and licence fees		412	387
Charges to affiliated companies		128	78
Dividends from subsidiaries		5	5
Interest income from subsidiaries		56	68
Interest income from third parties		2	1
Total income		**603**	**539**
Interest expense to subsidiaries		(80)	(77)
Interest expense to third parties		(11)	(13)
Salaries and social charges		(74)	(54)
Other expenses		(174)	(190)
Depreciation and amortisation		(16)	(23)
Change of provisions on loans and investments, net		155	92
Financial income/(expenses), net	13	(10)	10
Other income		15	133
Income/(loss) before taxes		**408**	**417**
Direct taxes		(4)	(2)
Net income/(loss)		**404**	**415**

The accompanying notes are an integral part of these financial statements.

Notes to financial statements

in millions, except share and per share information

Note 1 – Summary of significant accounting principles

Adecco Group AG (Zürich Switzerland) is the parent company of the Adecco Group. The corporate seat of Adecco Group AG was moved from Opfikon to Zürich on 2 August 2017.

In 2016, Adecco management & consulting S.A., a wholly owned subsidiary of Adecco Group AG was merged retroactively on 1 January 2016 into Adecco Group AG and a gain of CHF 92 has been recorded in other income as part of the transaction.

In 2017, Adecco Group AG had on average 198 full-time employees. In 2016, Adecco Group AG had on average 168 full-time employees.

Basis of presentation

The statutory financial statements have been prepared in accordance with the Swiss Code of Obligations (SCO).

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates at the date of the transactions. The gains and losses resulting from the settlement of such transactions and from the remeasurement of current assets and liabilities denominated in foreign currencies are recognised in financial income/(expenses), net. Net unrealised gains on non-current assets and liabilities are deferred in liabilities and unrealised losses are recognised in financial income/(expenses), net.

Financial assets

Current and non-current financial assets contain foreign currency contracts and cross-currency interest rate swaps, and are measured at market price. Movements in market prices are recorded in financial income/(expenses), net.

Investments in subsidiaries

Investments in subsidiaries are valued at the lower of cost or fair value, using generally accepted valuation principles.

Share-based payments

Adecco Group AG records a provision for share-based compensation in other non-current liabilities for subsequent settlement with treasury shares. Any differences between the provision and the acquisition costs for treasury shares are recorded in other expenses at settlement.

Note 2 – Investments in subsidiaries

As of 31 December 2017 and 31 December 2016, the investments in subsidiaries amount to CHF 10,605 and CHF 10,595, respectively, and are shown net of a provision of CHF 1,004 and CHF 1,162, respectively. In 2017, the net release of the provision on investments of CHF 158 consists of an increase of provisions of CHF 26 and a release of provisions of CHF 184. In 2016, the net release of the provision on investments of CHF 91 consists of an increase of provisions of CHF 21 and a release of provisions of CHF 112.

Direct investments in subsidiaries as of 31 December 2017 and 31 December 2016

Country	Registered office	Name of legal entity	2017 Ownership & voting power	2016 Ownership & voting power
Andorra	Andorra la Vella	Adecco Recursos Humans SA	67%	67%
Argentina	Buenos Aires	Adecco Argentina S.A.	81%	81%
Australia	Melbourne	Adecco Holdings Pty Ltd	100%	100%
Austria	Vienna	Adecco Holding GmbH	100%	100%
Austria	Vienna	Tuja Holding GmbH	100%	100%
Belgium	Groot-Bijgaarden	Adecco Construct NV	100%	100%
Belgium	Groot-Bijgaarden	Adecco Personnel Services NV	100%	100%
Belgium	Groot-Bijgaarden	Adecco Professional Staffing NV	100%	100%
Belgium	Antwerp	Beeple NV	50%	50%
Bermuda	Hamilton	Adecco Reinsurance Company Limited	100%	100%
Brazil	São Paulo	Adecco Recursos Humanos S.A.	100%	100%
Bulgaria	Sofia	Adecco Bulgaria EOOD	100%	100%
Canada	Toronto, ON	Adecco Employment Services Limited	100%	100%
Croatia	Zagreb	Adecco d.o.o. za privremeno zaposljavanje	100%	100%
Croatia	Zagreb	Adecco Hrvatska d.o.o.	100%	100%
Croatia	Zagreb	Adecco Outsourcing d.o.o.	100%	100%
Czech Republic	Prague	Adecco SPOL. S.R.O.	100%	100%
Czech Republic	Prague	Chronos International srl	10%	10%
Finland	Helsinki	Adecco Finland Oy	100%	100%
France	Villeurbanne	Adecco Holding France	100%	100%
France	Villeurbanne	Adecco IT Services	100%	100%
Germany	Düsseldorf	Adecco Beteiligungs GmbH	100%	100%
Greece	Athens	Adecco HR SATW	100%	100%
Hong Kong	Hong Kong	Templar International Consultants Limited[2]	n.a.	100%
Hong Kong	Hong Kong	Lee Hecht Harrison Pty Limited	100%	100%
Hungary	Budapest	Adecco Szemelyzeti Kozvetito Kft	100%	100%
India	Bangalore	Adecco India Private Limited	1%	1%
Japan	Tokyo	Adecco Ltd	100%	100%
Luxembourg	Bertrange	Adecco Luxembourg SA	100%	100%
Luxembourg	Luxembourg	Ajilon Luxembourg SA	100%	100%
Luxembourg	Luxembourg	Alexandre Tic (Luxembourg) SA	100%	100%
Malaysia	Kuala Lumpur	Spring Professional (Malaysia) Sdn. Bhd.	49%	49%
Malaysia	Kuala Lumpur	Adecco Asia Business Solutions Sdn. Bhd.[1]	100%	n.a.
Netherlands	Utrecht	Adecco International Financial Services BV	100%	100%
New Zealand	Auckland	Adecco New Zealand Ltd	100%	100%
Norway	Oslo	Olsten Norway AS	100%	100%
Poland	Warsaw	Adecco Poland Sp. z o.o.	100%	100%
Portugal	Lisbon	Adecco Recursos Humanos	100%	100%
Puerto Rico	Manati	Adecco Personnel Services Inc.	100%	100%
Romania	Bucharest	Adecco Resurse Umane SRL	99%	99%
Romania	Bucharest	Adecco Romania SRL	100%	100%

Notes to financial statements continued

in millions, except share and per share information

Country	Registered office	Name of legal entity	2017 Ownership & voting power	2016 Ownership & voting power
Serbia	Belgrade	Adecco Outsourcing d.o.o. Beograd	100%	100%
Singapore	Singapore	Adecco Engineering Pte Ltd	100%	100%
Singapore	Singapore	Lee Hecht Harrison Pte Ltd	100%	100%
Slovakia	Bratislava	Adecco Slovakia, s.r.o	100%	100%
Slovenia	Ljubljana	Adecco H.R. d.o.o	100%	100%
South Korea	Seoul	Adecco Korea Co. Ltd.	100%	100%
Spain	Madrid	Adecco Iberia SA	100%	100%
Sweden	Stockholm	Adecco Sweden AB	100%	100%
Switzerland	Lausanne	Adecco Ressources Humaines S.A.	100%	100%
Switzerland	Geneva	Lee Hecht Harrison Sàrl	100%	100%
Switzerland	Lucerne	Adecco Germany Holding Management S.A.	100%	100%
Switzerland	Lucerne	Adecco Invest S.A.	100%	100%
Switzerland	Opfikon	Just in time staffing AG	100%	100%
Switzerland	Zug	Adecco Group X AG[1]	100%	n.a.
Thailand	Bangkok	Adecco Bangna Recruitment Limited	20%	20%
Thailand	Bangkok	Adecco Consulting Limited	49%	49%
Thailand	Bangkok	Adecco Eastern Seaboard Recruitment Limited	10%	10%
Thailand	Bangkok	Adecco Recruitment (Thailand) Limited	25%	25%
Thailand	Bangkok	Adecco New Petchburi Recruitment Limited	49%	49%
Thailand	Bangkok	Adecco Phaholyothin Recruitment Limited	9%	9%
Thailand	Bangkok	Adecco Praram 4 Recruitment Limited	49%	49%
Thailand	Bangkok	Spring Professional Recruitment (Thailand) Limited	50%	50%
Turkey	Istanbul	Adecco Hizmet ve Danismanlik AS	0%	0%
USA	Wilmington, DE	Adecco, Inc	100%	100%
USA	Wilmington, DE	Talentoday, Inc	23%	23%
Vietnam	Ho Chi Minh City	CÔNG TY CỔ PHẦN ADECCO VIỆT NAM	100%	100%

1 New company in 2017.

2 Liquidated in 2017.

All significant indirect investments in subsidiaries of Adecco Group AG are listed in section “Major consolidated subsidiaries of the Adecco Group”.

Note 3 – Payables to Adecco Pension Fund

Adecco Group AG has total payables to the Adecco Pension Fund of CHF 1 as of 31 December 2017 and 31 December 2016.

Note 4 – Long-term interest-bearing debt

The long-term debt issued by Adecco Group AG as of 31 December 2017 and 31 December 2016 consists of the following:

in CHF	Principal at maturity	Maturity	Fixed interest rate	31.12.2017	31.12.2016
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	125	125
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%		350
Total long-term debt				**125**	**475**
Less current maturities					(350)
Long-term debt, less current maturities				**125**	**125**

8-year Swiss Franc fixed rate notes and 5-year Swiss Franc fixed rate notes due 2020 and 2017

On 18 July 2012, Adecco Group AG issued CHF 125 fixed rate notes with a coupon of 2.625% (2020 notes) and CHF 250 fixed rate notes with a coupon of 1.875% (2017 notes) due on 18 December 2020, and 18 December 2017, respectively. Furthermore, on 19 October 2012, Adecco Group AG increased the outstanding 2017 notes by CHF 100. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Exchange. The proceeds were used to fund the share buyback programme approved by the Board of Directors in June 2012. In December 2017, Adecco Group AG settled the 2017 notes at maturity.

Note 5 – Lease commitments

Adecco Group AG has total lease commitments of CHF 8 as of 31 December 2017 of which CHF 2 are due within the next 12 months and CHF 6 are due after 12 months. Adecco Group AG had total lease commitments of CHF 10 as of 31 December 2016 of which CHF 2 were due within 2017 and CHF 8 afterwards.

Note 6 – Contingent liabilities

The contingent liabilities including guarantees and letters of comfort amount to CHF 2,818 as of 31 December 2017 and to CHF 2,335 as of 31 December 2016.

Adecco Group AG has irrevocably and unconditionally guaranteed the 2024 notes of CHF 585 (EUR 500) and accrued interest of CHF 1, the 2022 notes of CHF 585 (EUR 500) and accrued interest of CHF 1, the 2021 notes of CHF 292 (USD 300) and accrued interest of CHF 1, the 2019 notes of CHF 251 (originally EUR 400 and EUR 214 after bond buyback) and accrued interest of CHF 1, the 2018 notes of CHF 407 (originally EUR 500 and EUR 348 after bond buyback) and accrued interest of CHF 14, issued by Adecco International Financial Services BV, a wholly owned subsidiary of Adecco Group AG.

Adecco Group AG has guaranteed or co-issued an amount of CHF 15 utilised from the revolving credit facility in the form of letters of credit as of 31 December 2017. Approximately CHF 573 of the credit facilities issued to several subsidiaries in Europe, North America, South America, Asia, and Australia have been guaranteed for operational needs.

Additionally, Adecco Group AG has provided guarantees and letters of comfort amounting to CHF 92 relating to government requirements for operating a temporary staffing business and for operating leases of its subsidiaries mainly in the USA.

Adecco Group AG is jointly and severally liable for the liabilities of the Swiss VAT group.

Notes to financial statements continued

in millions, except share and per share information

Note 7 – Shareholders' equity

Statutory reserves from capital contribution and voluntary retained earnings

Pursuant to Swiss tax legislation, the statutory reserves from capital contribution amounted to CHF 2 and CHF 2 as of 31 December 2017 and as of 31 December 2016, respectively.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 20 April 2017 (2017 AGM), the shareholders approved two dividends for a total of CHF 2.40 per share outstanding. A dividend of CHF 1.50 was directly distributed to shareholders from voluntary retained earnings in May 2017 and amounted to CHF 255 (EUR 235). The second dividend which resulted in a reduction of CHF 0.90 of the nominal value of the Adecco Group AG share was distributed to shareholders on 24 July 2017 and amounted to CHF 152 (EUR 139).

For 2017, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be directly distributed from voluntary retained earnings to shareholders.

Conditional capital

As of 31 December 2017, Adecco Group AG had conditional capital under Art. 3^{quater} of the Articles of Incorporation of Adecco Group AG of 15,400,000 shares, for a maximum aggregate amount of CHF 1.5 for issue of a maximum of 15,400,000 registered shares, which shall be fully paid by the exercise of option and conversion rights to be granted in relation to bond issues or other obligations of Adecco Group AG or affiliated companies. The shares represent conditional capital authorised without time limitation and remain available for issuance upon conversion of any financial instruments that Adecco Group AG or its subsidiaries may issue in the future.

As approved by the shareholders at the 2017 AGM, the 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options were cancelled on 18 July 2017.

As of 31 December 2016, Adecco Group AG had 4,166,804 shares, of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options under Art. 3ter of the Articles of Incorporation of Adecco Group AG. These shares shall be fully paid up by the exercise of option rights which the Board of Directors has granted to the employees and to the members of the Board of Directors of Adecco Group AG or of its affiliated companies. During 2017 and 2016, Adecco Group AG did not issue any shares and no options were outstanding at cancellation and as of 31 December 2016.

Authorised capital

Effective 18 July 2017, the Board of Directors are authorised, until 30 April 2019, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,557,809 shares with a nominal value of CHF 0.10 per share, as approved by the shareholders at the 2017 AGM.

Note 8 – Treasury shares

As of 31 December 2017 and 31 December 2016 all treasury shares held by the Adecco Group are held by Adecco Group AG.

	Carrying value (in CHF millions)	Number of shares	Average price per share (in CHF)
1 January 2016	**285**	**4,160,712**	
Purchases	3	45,000	64
Purchased over second trading line (share buyback)	12	188,000	63
Share cancellation	(235)	(3,318,750)	71
Utilisation for stock-based compensation settlement	(17)	(265,579)	60
31 December 2016	**48**	**809,383**	
Purchases	43	597,279	72
Purchased over second trading line (share buyback)	309	4,201,500	74
Nominal amount reduction of CHF 0.90 on treasury shares	(2)		
Utilisation for stock-based compensation settlement	(18)	(288,309)	63
31 December 2017	**380**	**5,319,853**	

In 2017 and 2016, the number of treasury shares acquired by Adecco Group AG on the regular trading line amounted to 597,279 and 45,000, respectively. The highest and lowest price per share paid for the shares acquired in 2017 amounted to CHF 75 and CHF 69, respectively, and for the shares acquired in 2016 CHF 67 and CHF 61, respectively.

In 2017 and 2016, Adecco Group AG awarded 19,684 and 24,936 treasury shares, respectively, to the Board of Directors as part of their remuneration package (refer to section 5.1 "Board of Directors' remuneration and shareholding" in the Remuneration Report). In addition, in 2017 and 2016, 268,625 treasury shares and 240,643 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

Adecco Group AG launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 250 announced in November 2014 (completed in January 2016).
- EUR 300 announced in March 2017 (completed in March 2018).

As of 31 December 2017 and 31 December 2016, Adecco Group AG held 4,201,500 and no shares, respectively, acquired under the share buyback programmes. Adecco Group AG acquired 4,201,500 shares for CHF 309 (EUR 275) in 2017, and 188,000 shares for CHF 12 (EUR 11) in 2016 under the share buyback programmes. The highest and lowest price per share paid under the share buyback programmes in 2017 amounted to CHF 79 and CHF 68, respectively, and in 2016 CHF 66 and CHF 59, respectively.

In March 2018, Adecco Group AG launched a new share buyback programme of up to EUR 150 with the aim of subsequently cancelling the shares and reducing share capital.

As of 31 December 2017, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Adecco Group's long-term incentive plan (for further details refer to Note 9 of the Adecco Group consolidated financial statements) as well as for the Board of Directors' remuneration.

The Board of Directors of Adecco Group AG will propose to the Annual General Meeting of Shareholders of 19 April 2018 a reduction of share capital through the cancellation of 4,580,260 shares repurchased under the EUR 300 share buyback programme consisting of 4,201,500 shares repurchased as of 31 December 2017 and 378,760 shares acquired from 1 January 2018 to 9 March 2018.

Notes to financial statements continued

in millions, except share and per share information

Note 9 – Restriction regarding the distribution of dividends

Adecco Group AG may only pay dividends from statutory reserves from capital contribution, and statutory and voluntary retained earnings, in accordance with Art. 675 of the Swiss Code of Obligations.

Companies whose principal purpose consists of participations in other companies may freely use the statutory reserves from capital contribution and statutory retained earnings to the extent they exceed 20% of the paid-in share capital. Pursuant to Art. 671 para. 1 of the Swiss Code of Obligations, 5% of the annual profits shall be allocated to the statutory retained earnings until the statutory reserves from capital contribution and the statutory retained earnings have reached 20% of the paid-in share capital. In addition, pursuant to Art. 671 para. 2 and para. 4 of the Swiss Code of Obligations, companies whose principal purpose consists of participations in other companies shall allocate to the statutory reserves from capital contribution and statutory retained earnings the following: (1) any surplus over par value upon the issue of new shares after deduction of the issuance cost, to the extent such surplus is not used for depreciation or welfare purposes; (2) the excess of the amount which was paid-in on cancelled shares over any reduction on the issue price of replacement shares. The statutory reserves from capital contribution and statutory retained earnings amounted to CHF 409 as of 31 December 2017 and 31 December 2016, thereby exceeding 20% of the paid-in share capital in both years.

Note 10 – Significant shareholders

Adecco Group AG has only registered shares. Not all shareholders register with Adecco Group AG's share register.

On 1 December 2017, Group BlackRock Inc.'s shareholding in Adecco Group AG rose above 5%. Group BlackRock Inc. held 8,733,962 shares as of 1 December 2017.

Refer to Note 8 for details on shares held by Adecco Group AG.

For further detailed information, refer to the links listed under item 1.2 "Significant shareholders" of the Corporate Governance Report.

Note 11 – Board of Directors and Executive Committee shareholdings

Board of Directors' shareholdings

Name and function	**Shareholding as of 31 December 2017**[1]	Shareholding as of 31 December 2016[2]
Rolf Dörig, Chair	72,284	65,469
Kathleen Taylor, Vice-Chair	4,574	2,706
Jean-Christophe Deslarzes	4,504	2,913
Ariane Gorin[3]	1,008	
Alexander Gut	21,390	19,343
Didier Lamouche	5,464	4,098
David Prince	13,034	10,987
Wanda Rapaczynski	15,890	13,843
Dominique-Jean Chertier[4]		11,098
Thomas O'Neill[4]		11,680
Total	**138,148**	**142,137**

1 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each.

2 Indicating the number of registered shares held, with a nominal value of CHF 1 each.

3 Member of the Board of Directors since 20 April 2017.

4 Member of the Board of Directors until 20 April 2017.

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Executive Committee's shareholdings

Name	Position	Shareholding as of 31 December 2017[1]	Shareholding as of 31 December 2016[2]
Alain Dehaze	Chief Executive Officer	34,561	24,420
Hans Ploos van Amstel	Chief Financial Officer	5,000	5,000
Christophe Catoir	Regional Head of France	8,101	7,019
Federico Vione	Regional Head of North America, UK & Ireland General Staffing	11,058	7,220
John L. Marshall III	Regional Head of North America, UK & Ireland Professional Staffing	6,791	5,014
Mark De Smedt	Regional Head of Northern Europe	6,221	5,000
Sergio Picarelli	Regional Head of Italy, Eastern Europe & MENA[3] and India	13,050	11,383
Enrique Sanchez	Regional Head of Iberia & Latin America	12,887	7,738
Franz-Josef Schürmann[4]	Chief Sales and Innovation Officer	100	2,000
Shanti Flynn[4]	Chief Human Resources Officer (until 30 April 2018)	5,000	5,000
Stephan Howeg	Chief Marketing & Communication Officer	7,742	6,821
Christophe Duchatellier[5]	Regional Head of Asia Pacific including Australia and New Zealand	14,645	8,089
Robert P. (Bob) Crouch[6]			9,425
Total		**125,156**	**104,129**

1 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each.

2 Indicating the number of registered shares held, with a nominal value of CHF 1 each.

3 Middle East and North Africa.

4 Became a member of the Executive Committee in 2016.

5 Until 31 December 2017.

6 Robert P. (Bob) Crouch left the Adecco Group in 2017.

The members of the Board of Directors and of the Executive Committee are required to disclose to Adecco Group AG direct or indirect purchases and sales of equity-related securities of Adecco Group AG in accordance with the requirements of the SIX Swiss Exchange.

Note 12 – Granted participation rights

In 2017, Adecco Group AG has granted to the Executive Committee members employed by Adecco Group AG 120,099 treasury shares for CHF 3 and to other employees employed by Adecco Group AG 28,969 treasury shares for CHF 2 under the Adecco Group long-term incentive plan. In 2016, Adecco Group AG has granted to the Executive Committee members employed by Adecco Group AG 106,324 treasury shares for CHF 3 and to other employees employed by Adecco Group AG 20,851 treasury shares for CHF 1 under the Adecco Group long-term incentive plan. For the total number of shares granted in 2017 and in 2016 under the Adecco Group long-term incentive plan refer to Note 9 of the Adecco Group consolidated financial statements.

Note 13 – Financial income/(expenses), net

Financial income/(expenses), net

	2017	2016
Foreign exchange gain	20	65
Foreign exchange loss	(35)	(57)
Gain/(loss) from group hedging	5	2
Total	**(10)**	**10**

Major consolidated subsidiaries of The Adecco Group

Country	Registered office	Name of legal entity	Ownership[1]	Type[2]	Currency of share capital	Share capital in thousands
Argentina	Buenos Aires	Adecco Argentina S.A.[4]	100%	O	ARS	44,526
Australia	Melbourne	Adecco Industrial Pty Ltd	100%	O	AUD	5
Belgium	Groot-Bijgaarden	Adecco Coordination Center NV	100%	F	EUR	332,468
Belgium	Groot-Bijgaarden	Adecco Personnel Services NV[4]	100%	O	EUR	21,651
Bermuda	Hamilton	Secad Ltd	100%	F	CHF	44
Canada	Toronto, ON	Adecco Employment Services Limited[4]	100%	O	CAD	90,615
Canada	Toronto, ON	Modis Canada Inc	100%	O	CAD	14,884
Colombia	Bogotá	Adecco Colombia SA	100%	O	COP	111,700
France	Villeurbanne	Adecco Holding France[4]	100%	H	EUR	602,503
France	Villeurbanne	Adecco France	100%	O	EUR	89,472
France	Villeurbanne	Modis France	100%	O	EUR	10,496
France	Paris	Altedia	100%	O	EUR	4,437
Germany	Düsseldorf	Adecco Beteiligungs GmbH[4]	100%	H	EUR	25
Germany	Düsseldorf	Adecco Personaldienstleistungen GmbH	100%	O	EUR	31
Germany	Düsseldorf	DIS AG	100%	O	EUR	12,300
Germany	Düsseldorf	TUJA Zeitarbeit GmbH	100%	O	EUR	40
Germany	Ulm	euro engineering AG	100%	O	EUR	540
India	Bangalore	Adecco India Private Limited[4]	100%	O	INR	23,806
Italy	Milan	Adecco Italia S.p.A.	100%	O	EUR	2,976
Japan	Tokyo	Adecco Ltd[4]	100%	O	JPY	5,562,863
Japan	Tokyo	VSN, Inc.	100%	O	JPY	1,063,772
Mexico	Mexico City	Ecco Servicios de Personal SA de CV	100%	H/O	MXN	101,854
Netherlands	Utrecht	Adecco International Financial Services BV[4]	100%	F	EUR	2,500
Netherlands	Utrecht	Adecco Holding Europe BV	100%	H	EUR	18,807
Netherlands	Utrecht	Adecco Personeelsdiensten BV	100%	O	EUR	259
Netherlands	Utrecht	Adecco Personeelsdiensten Logistiek BV	100%	O	EUR	2
Netherlands	Utrecht	Adecco Detachering BV	100%	O	EUR	18
Norway	Oslo	Adecco Norge AS	100%	O	NOK	51,000
Poland	Warsaw	Adecco Poland Sp. z o.o.[4]	100%	O	PLN	50
Singapore	Singapore	Adecco Personnel Pte Ltd	100%	O	SGD	100
Spain	Madrid	Adecco TT SA Empresa de Trabajo Temporal	100%	O	EUR	1,759
Spain	Madrid	Atlas Servicios Empresariales SA	100%	O	EUR	60
Sweden	Stockholm	Adecco Sweden AB[4]	100%	O	SEK	3,038
Switzerland	Lucerne	Adecco Invest S.A.[4]	100%	H	CHF	100
Switzerland	Lausanne	Adecco Ressources Humaines S.A.[4]	100%	O	CHF	7,000
United Kingdom	London	Spring Technology Staffing Services Limited	100%	O	GBP	18,831
United Kingdom	London	Adecco UK Limited	100%	O	GBP	99,600
United Kingdom	London	Olsten (U.K.) Holdings Ltd	100%	H	GBP	9,213
United Kingdom	London	Badenoch and Clark Limited	100%	O	GBP	4
United Kingdom	London	Pontoon Europe Limited	100%	O	GBP	2,574
United States	Wilmington, DE	Adecco Financial Services (North America)	100%	S	USD	n.a.
United States	Wilmington, DE	Adecco, Inc[4]	100%	H	USD	1
United States	Wilmington, DE	Adecco USA, Inc	100%	O	USD	<1
United States	Burlington, MA	Entegee, Inc.	100%	O	USD	4,534
United States	Plantation, FL	Modis E & T LLC[3]	100%	S	USD	n.a.
United States	Jacksonville, FL	Accounting Principals, Inc.	100%	O	USD	161
United States	Wilmington, DE	Lee Hecht Harrison LLC[3]	100%	O	USD	n.a.
United States	Jacksonville, FL	Modis, Inc.	100%	O	USD	12,612
United States	Atlanta, GA	Soliant Health, Inc.	100%	O	USD	11
United States	Baltimore, MD	Special Counsel, Inc.	100%	O	USD	18

1 Voting rights equal to ownership. Voting rights and ownership refer to the Adecco Group.

2 H – Holding; O – Operating; F – Financial; S – Services.

3 Subsidiary is registered as a Limited Liability Company (LLC). No shares have been issued as LLCs have membership interests rather than shares.

4 Adecco Group AG direct investment.

Proposed appropriation of shareholders' equity

in millions, except share and per share information

in CHF	2017	2016
Voluntary retained earnings		
Voluntary retained earnings of previous years	3,119	3,191
Net income/(loss)	404	415
Share cancellation		(232)
Total available voluntary retained earnings	**3,523**	**3,374**
Dividend distribution of CHF 1.50 per share for 2016		(255)
Proposed dividend distribution of CHF 2.50 per share for 2017	(415)[1]	
Total voluntary retained earnings to be carried forward	**3,108**	**3,119**

in CHF	2017	2016
Share capital		
Share capital from previous years	17	174
Share cancellation		(3)
Dividend as a reduction of the nominal value of CHF 0.90 per share for 2016		(152)
Reduction of the nominal value of CHF 0.90 per treasury share		(2)
Share capital after proposed reduction of the nominal value	**17**	**17**

1 This represents the amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) of 165,836,334 as of 31 December 2017.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Adecco Group AG, Zürich

As statutory auditor, we have audited the financial statements of Adecco Group AG, which comprise the balance sheets, statements of operations and notes (pages 138 to 149), for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recoverability of investments in subsidiaries

Area of focus	Investments in subsidiaries represent 82% of the company's total assets and 269% of the company's total shareholders' equity as of 31 December 2017. Adecco Group AG evaluates its investments in subsidiaries for recoverability annually and records an impairment loss when the carrying amount of such assets exceeds the recoverable amount. In determining the recoverable amount of the investments, the company must apply judgment in estimating, amongst other factors, future revenues and margins, multiples, long-term growth and discount rates. Due to the significance of the carrying values for investments in subsidiaries and the judgment involved in performing the recoverability test, this matter was considered significant to our audit. Refer to Note 2 of Adecco Group AG's financial statements for the company's disclosures on investments in subsidiaries.
Our audit response	We assessed the company's internal controls over its annual recoverability test and key assumptions applied. We involved valuation specialists to assist in examining the company's valuation model and analyzing the underlying key assumptions, including future revenues and margins, multiples, long-term growth and discount rates. We assessed the historical accuracy of the company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the key assumptions applied and compared these assumptions to corroborating information, including industry reports, economic outlooks, analyst reports and data from competitors.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.
We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ André Schaub	/s/ Jolanda Dolente
André Schaub	**Jolanda Dolente**
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zürich, Switzerland
14 March 2018

Additional information

Adding supplementary facts and figures

Non-US GAAP information and financial measures

Non-US GAAP information and financial measures

The Company uses non-US GAAP financial measures for management purposes. The principal non-US GAAP financial measures discussed herein are constant currency, organic growth, EBITA, EBITA excluding one-offs, conversion ratio, free cash flow, cash conversion, net debt, net debt to EBITDA excluding one-offs, and dividend pay-out ratio, which are used in addition to, and in conjunction with results presented in accordance with US GAAP.

The aforementioned non-US GAAP financial measures should not be relied upon to the exclusion of US GAAP financial measures, but rather reflect additional measures of comparability and means of viewing aspects of the Company's operations that, when viewed together with the US GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

Because non-US GAAP financial measures are not standardised, it may not be possible to compare the Company's measures with other companies' non-US GAAP financial measures having the same or a similar name. Management encourages investors to review the Company's financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

Bill rate

An average hourly billing rate for temporary staffing services indicating current price levels.

Pay rate

An average hourly payroll rate including social charges for temporary staffing services indicating current costs.

Constant currency

Constant currency comparisons are calculated by multiplying the prior year functional currency amount by the current year foreign currency exchange rate. Management believes that constant currency comparisons are important supplemental information because these comparisons exclude the impact of changes in foreign currency exchange rates, which are outside the Company's control, and focus on the underlying growth and performance.

Organic growth

Organic growth figures exclude the impact of currency, acquisitions, and divestitures. Management believes that organic growth comparisons are important supplemental information because these comparisons exclude the impact of changes resulting from foreign currency exchange rate fluctuations, acquisitions, and divestitures.

EBITA

EBITA refers to operating income before amortisation and impairment of goodwill and intangible assets. Management believes that EBITA is important supplemental information because it focuses on the underlying growth and performance of the Company's business.

EBITA excluding one-offs

EBITA excluding one-offs refers to EBITA adjusted for items impacting comparability. Management believes that EBITA excluding one-offs is important supplemental information because excludes the effect of items that are not expected to recur in future periods, and therefore shows more clearly the underlying performance of the Company's business.

EBITDA

EBITDA refers to operating income before amortisation and impairment of goodwill and intangible assets and depreciation. Management believes that EBITDA is important supplemental information because it focuses on the underlying growth and performance of the Company's business excluding non-cash charges.

EBITDA excluding one-offs

EBITDA excluding one-offs refers to EBITDA adjusted for items impacting comparability. Management believes that EBITDA excluding one-offs is important supplemental information because it excludes the effect of items that are not expected to recur in future periods, and therefore shows more clearly the underlying performance of the Company's business excluding non-cash charges.

Conversion ratio

EBITA as a percentage of gross profit. Management believes that the conversion ratio is important supplemental information because this ratio displays the efficiency with which gross profit is converted to EBITA. The Company uses this metric to manage productivity and profitability.

Free cash flow (FCF)

Free cash flow (FCF) comprises cash flow from operating activities less capital expenditures. Management believes that FCF is important supplemental information because it represents the cash generated by the Company after the investments in assets necessary to support existing business activities and to pursue internal growth opportunities.

Cash conversion

Cash conversion is calculated as free cash flow before interest and tax paid (FCFBIT) divided by EBITA excluding one-offs. Management believes that cash conversion is important supplemental information because this represents how much underlying operating profit is converted into cash flows of the Company before the impact of interest and taxes paid.

Days sales outstanding (DSO)

Accounts receivable turnover. Management believes that DSO is important information as it represents the average time taken to collect accounts receivable.

Net debt

Net debt comprises short-term and long-term debt less cash and cash equivalents and short-term investments. Management believes that net debt is important supplemental information because this is one metric the Company uses to monitor outstanding debt obligations.

Net debt to EBITDA excluding one-offs

Management believes that net debt to EBITDA excluding one-offs is important supplemental information because it is one metric the Company uses to monitor its ability to meet outstanding debt obligations.

Dividend pay-out ratio

Dividend pay-out ratio refers to the percentage of adjusted net earnings per share paid to shareholders in dividends. Management believes that dividend pay-out ratio is important supplemental information because it represents the percentage of the Company's annual profits being paid out to shareholders in the form of an ordinary dividend.

History

The evolution of the Adecco Group is characterised by productive acquisitions, organic growth, industry innovation, and global expansion, creating a story spanning over 60 years. In 1996, the founding companies Adia and Ecco merged to form the global leader in the staffing industry.

1957

Adia SA is founded in Lausanne, Switzerland, by Henri-Ferdinand Lavanchy. The firm grows rapidly in its home country before expanding abroad.

1964

Philippe Foriel-Destezet founds Ecco in Lyon. By the early 1980s, Ecco is the largest supplier of temporary personnel in France.

1961–1980

In the 1960s, Adia opens offices in various European countries and then in 1972 takes a first step overseas, with a branch in Menlo Park, California. In 1974, Lavanchy recruits Martin O. Pestalozzi and a phase of expansion by acquisitions begins. In the next 12 years, Adia buys over 85 companies, tripling in size and gaining footholds in more than a dozen countries. These include France (1975) and the UK (1977), where it buys the market leader: Alfred Marks Bureau Ltd.

Early 1980s

Adia continues to expand overseas, including Australia, New Zealand, Japan, Hong Kong, and Canada. Meanwhile, Ecco is focusing on its home market. By the mid-1980s, it is the market leader in France and a decade later world no. 2. The growth of both companies is part of a wider trend: temporary staffing becomes the world's third-fastest-growing industry in the 1980s.

Late 1980s

Revenues topping USD 1 billion in 1986 make Adia the European leader. Its success is partly down to a focus on quality and high-value services. The 1990s see a growing trend towards specialised skills, e.g. accounting and word-processing, including in-house training programmes.

1990s

Further acquisitions from the late 1980s onwards strengthen the presence in highly skilled, specialised fields. Also, moves are made into socially related programmes for mature workers in the USA, promoting the benefits of temporary work for retirees and the value for companies of tapping into their experience, skills, and dedication. In 1991, recognising the importance of the industry's role in job creation and its growth potential, Klaus J. Jacobs invests in Adia on the way to becoming its majority shareholder.

1996

Adia and Ecco merge to form the Adecco Group. Two of the world's top three personnel services firms, with complementary geographical profiles, merge to form a strong global leader with annualised revenues of over EUR 5.4 billion. Operations are combined to form a global network of 2,500 branches. The new company has an exceptional range and quality of services. The core staffing business places around 250,000 people in work each day.

1997–2000

The 1997 acquisition of TAD Resources International strengthens the Adecco Group's technical and IT staffing business in the USA. In 2000, the Adecco Group acquires the IT and general staffing business of the Olsten Corporation to become the no. 1 staffing services business in the USA and worldwide leader in the IT sector. The merged companies' revenues reach over EUR 11.6 billion, reflecting organic growth and successful acquisitions. Partnerships with Monster.com and Jobs.com mark the Adecco Group's intent to be at the forefront of harnessing the web in the recruitment process.

2002

To keep at the forefront of the trend towards increasing demand for professional and expert services, The Adecco Group consolidates its business under three operating divisions: Adecco Staffing; Ajilon Staffing/Managed Services; and Career Services/e-Business. Legislative change in Germany creates a more favourable environment for the growth of temporary staffing, reflecting greater acceptance of the industry's positive role in generating employment and economic growth.

2004

The acquisition of PeopleOne Consulting in India signals the Adecco Group's commitment to play a leading role in the industry's development in the emerging markets. As a result of the delay in the audit of the 2003 financial statements in early 2004, the Adecco Group strengthens its financial reporting and governance structure.

2005–2006

In 2005, Klaus J. Jacobs assumes the Chairman and CEO roles, initiating a strategy review. The Adecco Group's focus on professional staffing services intensifies. To create a strong platform for growth, the Group's existing operations are realigned into global business lines defined by specific occupational fields, complementing the established office and industrial offering with professional staffing lines.

Acquisitions of Altedia and HumanGroup strengthen the Adecco Group's involvement in professional segments in Europe. In 2006, the acquisition of DIS AG in Germany gives the Adecco Group leadership in the German professional staffing industry. Dieter Scheiff is appointed Chief Executive Officer. The Adecco Group adopts a dual strategy focused on professional and general staffing.

2007

Jürgen Dormann is appointed Chairman of the Board. As planned, Klaus J. Jacobs hands back his mandate. The Adecco Group acquires Tuja Group, an industry leader in Germany, one of the world's fastest-growing temporary staffing markets.

2008

The Adecco Group acquires the professional staffing businesses DNC in the Netherlands and IT specialist Group Datavance in France. Country operations take greater responsibility for growing professional business as the dual professional and general staffing model becomes further embedded.

Klaus J. Jacobs, co-founder and Honorary President of the Adecco Group, passes away.

2009

Rolf Dörig is appointed Chairman of the Board. Patrick De Maeseneire becomes Chief Executive Officer. The Adecco Group acquires Spring Group in the UK, bolstering the Adecco Group's UK professional and general staffing business.

2010

The acquisition of MPS Group, a leading professional staffing firm based in the USA, is completed. With MPS' strength in North America and the UK, the Adecco Group also becomes the world leader in professional staffing.

The Adecco Group sets up a joint venture in Shanghai with leading Chinese HR services company Fesco. FESCO Adecco begins operations on 1 January 2011, with over 100,000 associates and a well-established local and multinational client base.

2011

The Adecco Group acquires US-based Drake Beam Morin Inc., taking the worldwide lead in career transition and talent development services.

2012

The Adecco Group acquires VSN Inc., a leading provider of professional staffing services in Japan. The acquisition expands the professional staffing exposure in the world's second-largest staffing market.

Henri-Ferdinand Lavanchy, the founder of Adia, passes away.

2014

The Adecco Group acquires OnForce to expand its Beeline service offering, creating a unique integrated solution for managing contingent workforces.

The Jacobs Group sells the vast majority of its 18% stake in the Adecco Group.

2015

Alain Dehaze is appointed Chief Executive Officer. The Adecco Group announces a new composition of the Executive Committee. The Adecco Group acquires Knightsbridge Human Capital Solutions, the market leader of career transition, talent and leadership development, and recruitment services in Canada.

2016

The Adecco Group acquires Penna Consulting Plc, the UK market leader in career transition, talent and leadership development and recruitment services as well as D4, LLC, a leader in eDiscovery litigation support.

The Adecco Group deconsolidates Beeline upon its merger with IQNavigator, which brings together two of the world's leading providers of Vendor Management Systems.

2017

The Adecco Group partners with Infosys to launch Adia, a 'recruitment-on-demand' platform for temporary staffing. In response to the growing gig economy, the Adecco Group launches comprehensive freelancer platform YOSS, in collaboration with Microsoft. The Adecco Group also partners with Mya Systems to utilise artificial intelligence chatbot technology in the recruitment process. The Adecco Group acquires Mullin International, strengthening its career transition services, and BioBridges, enhancing its position in life sciences professional recruitment.

Key figures

In EUR millions unless stated	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues	**23,660**	22,708	22,010	20,000	19,503	20,536	20,545	18,656	14,797	19,965
Gross profit	**4,346**	4,276	4,179	3,703	3,560	3,674	3,566	3,329	2,649	3,673
EBITA excluding one-offs	**1,160**	1,132	1,147	965	854	813	834	755	402	896
EBITA	**1,153**	1,096	1,081	928	821	725	814	722	299	908
Net income attributable to										
Adecco Group shareholders	**788**	723	8	638	557	377	519	423	8	495
Basic EPS (EUR)	**4.67**	4.24	0.05	3.62	3.09	2.00	2.72	2.20	0.04	2.82
Diluted EPS (EUR)	**4.66**	4.24	0.05	3.61	3.08	2.00	2.72	2.17	0.04	2.71
Dividend per share (CHF)	**2.50**[1]	2.40	2.40	2.10	2.00	1.80	1.80	1.10	0.75	1.50
EBITDA excluding one-offs	**1,237**	1,217	1,241	1,057	955	916	927	842	483	980
EBITDA	**1,230**	1,181	1,175	1,020	922	828	907	809	380	992
Cash flow from operating activities	**730**	687	799	785	520	579	524	455	477	1,054
Free cash flow before interest and tax paid	**932**	934	995	1,013	684	813	651	543	503	1,267
Free cash flow	**630**	611	702	705	439	491	415	350	385	948
Net debt	**994**	887	1,039	971	1,091	967	889	748	107	615
Shareholders' equity	**3,582**	3,722	3,346	3,839	3,557	3,699	3,811	3,567	3,114	2,798
Organic revenue growth	**6%**	4%	4%	4%	-1%	-4%	10%	12%	-27%	-5%
Gross margin	**18.4%**	18.8%	19.0%	18.5%	18.3%	17.9%	17.4%	17.8%	17.9%	18.4%
SG&A as % of revenues	**13.5%**	14.0%	14.1%	13.9%	14.0%	14.4%	13.4%	14.0%	15.9%	13.8%
EBITA margin excluding one-offs	**4.9%**	5.0%	5.2%	4.8%	4.4%	4.0%	4.1%	4.0%	2.7%	4.5%
EBITA margin	**4.9%**	4.8%	4.9%	4.6%	4.2%	3.5%	4.0%	3.9%	2.0%	4.5%
Dividend pay-out ratio	**46%**	50%	45%	49%	47%	49%	45%	30%	30%	29%
Average number of FTE employees	**33,787**	33,391	32,266	31,576	31,329	32,987	32,826	31,279	29,835	36,399
Days sales outstanding	**52**	52	52	53	54	54	55	54	53	57
Cash conversion	**80%**	83%	87%	105%	80%	100%	78%	72%	125%	141%
Net debt/EBITDA excluding one-offs	**0.8x**	0.7x	0.8x	0.9x	1.1x	1.1x	1.0x	0.9x	0.2x	0.6x
Basic weighted-average shares (millions)	**168.7**	170.3	172.5	176.3	180.5	188.4	190.7	192.1	177.6	175.4
Diluted weighted-average shares (millions)	**169.1**	170.5	172.7	176.6	180.8	188.6	190.8	195.6	177.6	184.9
Shares outstanding at year end (millions)	**165.8**	170.3	170.3	173.4	178.1	184.6	170.4	174.7	174.1	174.2
In CHF, at year end:										
Share price	**74.55**	66.65	68.90	68.85	70.60	48.04	39.35	61.25	57.05	35.78
Market capitalisation (millions)[2]	**12,760**	11,408	12,021	12,330	13,362	9,092	7,448	11,592	10,797	6,722
Enterprise value (millions)[3,4]	**13,923**	12,357	13,154	13,495	14,704	10,262	8,515	12,527	10,957	7,688
In EUR[4], at year end:										
Share price	**63.72**	62.29	63.21	57.37	57.40	39.70	32.79	49.00	38.55	24.01
Market capitalisation (millions)[2,4]	**10,906**	10,662	11,028	10,275	10,863	7,514	6,206	9,274	7,296	4,545
Enterprise value (millions)[3,4]	**11,900**	11,549	12,067	11,246	11,954	8,481	7,095	10,022	7,404	5,160

1 Proposed by the Board of Directors.

2 Market capitalisation based on issued shares.

3 Enterprise value equals net debt plus market capitalisation at year end.

4 Exchange rates EUR/CHF 2017: 1.17; 2016: 1.07; 2015: 1.09; 2014: 1.20; 2013: 1.23; 2012: 1.21; 2011: 1.20; 2010: 1.25; 2009: 1.48 and 2008: 1.49.

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