THE ADECCO GROUP

Performing Transforming Innovating

2016 Annual Report

One company, many strengths

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

MSP & RPO
Managed Service Provider (MSP)
We manage all parts of the flexible workforce at organisations using a large number of contingent workers.

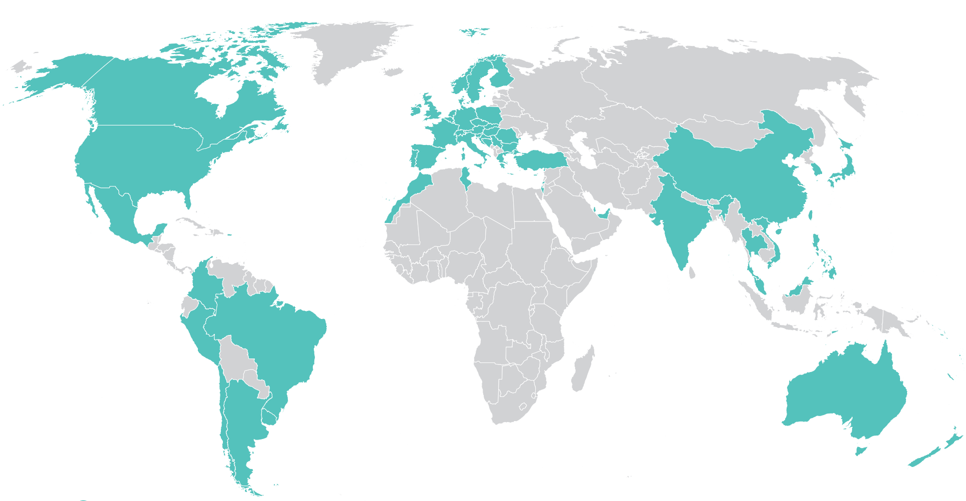
Recruitment Process Outsourcing (RPO)
We handle the entire hiring process for organisations recruiting large numbers of permanent employees.

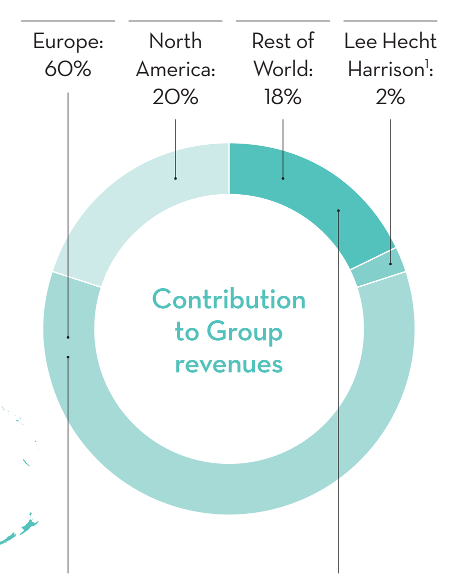
Talent development
We provide leadership coaching, career development programmes, and change management support.

Revenue (%)

Gross profit (%)

Our global footprint





22%	France
10%	UK & Ireland
10%	Germany, Austria, Switzerland
8%	Benelux & Nordics
6%	Italy
4%	Iberia

6%	Japan
4%	Latin America
3%	Eastern Europe & MENA
2%	Asia
2%	Australia & New Zealand
1%	India

Over
700,000
associates on assignment daily

More than
33,000
full time equivalent employees

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

Our business lines

General Staffing

We provide candidates with generalist skills to small, medium-sized and large clients, mainly through temporary staffing, permanent placement and outsourcing services. General Staffing comprises two business lines:

Office

We provide clerical and support personnel in all areas of office-based employment. We operate the majority of our activities under the 'Adecco' brand.

Industrial

We provide candidates for blue collar job profiles across many industrial sectors. We operate the majority of our activities under the 'Adecco' brand.

Contribution to Group revenues:

75%

Office: 24%

Industrial: 51%

Adecco

Professional Staffing

We support our clients in finding and attracting talent with professional qualifications and highly sought-after skills. Professional Staffing comprises four business lines:

Information Technology (IT)

We support organisations across all industries in their IT workforce requirements. Our global lead brand for IT is Modis.

Engineering & Technical

We provide candidates with skilled professional profiles across all engineering and technical disciplines to clients in a wide range of technical industries. Our global lead brand for Engineering & Technical is Modis.

Finance & Legal

We support organisations by finding qualified professionals in the accounting, finance and legal disciplines. Our global lead brand for Finance & Legal is Badenoch & Clark.

Medical & Science

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

Contribution to Group revenues:

22%

Information Technology: 11%

Finance & Legal: 4%

Engineering & Technical: 5%

Medical & Science: 2%

MODIS

Spring Professional

Badenoch & Clark

Solutions

We provide organisations and individuals with career transition and talent development solutions and business processes outsourcing to clients.

Career Transition & Talent Development

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

Business Process Outsourcing

We offer outsourcing under the global brand Pontoon, delivering solutions to more than 150 industry-leading companies.

Contribution to Group revenues:

3%

Career Transition & Talent Development: 2%

Business Process Outsourcing: 1%

LEE HECHT HARRISON

pontoon

Visit our website for further information
http://adeccogroup.com

Performing Transforming Innovating

The Adecco Group aspires to empower people, fuel economies, and enrich societies.

We deliver the talent and flexibility that organisations need to stay competitive. We provide individuals with employment opportunities and security. We offer meaningful and fulfilling careers to all our colleagues. We are a trusted expert advisor to governments and social partners. And we are dedicated to generating strong returns for our investors.

Fulfilling our mission will benefit our shareholders, colleagues, candidates, clients and society at large.

Our investment story

Global megatrends are changing the world of work

The Adecco Group is taking the lead in this transformation

New employment models bring exciting growth opportunities

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

Read more on page 11

Company report

Governance

Remuneration

Financial statements

Additional information

Leading in the new world of work

Dear Adecco Group shareholders,

Our new Executive Committee has completed its first full year leading our Company, and it has been a good year for The Adecco Group. Our financial results were steady and solid. We maintained organic[1] revenue growth of 4%, despite the subdued economic environment in 2016. With our 5.0% EBITA[2] margin excluding one-offs[3], we continued to deliver the leading profitability amongst our industry peers, while investing for the future. We generated good cash flow, and we ended the year with a strong balance sheet. As important as our financial performance, we have also been taking the steps necessary to turn our long-term vision for the Company into a reality.

The Adecco Group is the world's leading provider of workforce solutions. Every day, we put more people and more jobs together than anyone else. It is a good business: it generates substantial free cash flow that can be reinvested or returned to shareholders; and returns on capital are strong. The Adecco Group has been at the forefront of the workforce solutions industry for more than 50 years, and is well-positioned to remain there as the industry evolves.

Emerging on the horizon is a new world of work. It brings exciting opportunities for The Adecco Group. Economic, social and technological changes are causing clients and candidates to think differently about jobs and about each other. We foresee a time, only a few years in the future, when the employment market will have evolved significantly – as will the role of workforce solutions providers like The Adecco Group. If we move promptly and decisively, we will be amongst the leaders of this transition – and the leaders of the changed and expanded industry we expect to emerge over time.

The Board of Directors and the Executive Committee have firmly seized this mandate. To maintain and expand our leadership position in the current marketplace, and prepare for the changing world of work, we are developing our business in several areas. Our agenda for doing this has three levels: Perform, Transform, and Innovate.

With Perform, we are strengthening our current operations and enhancing our competitive position, by reinforcing our operating disciplines and improving our efficiency. Actions we are taking include enhancing our IT infrastructure and optimising our portfolio of businesses through performance improvement measures and carefully selected acquisitions and divestments. We are also streamlining our brands, to maximise market power and generate economies of scale. These actions will make us a more valuable service provider, both to those who seek employees and to those who seek employment.

With Transform, we are evolving our business to enhance the solutions and experience that we provide to our clients, candidates, associates and colleagues. We are expanding our capabilities in professional staffing and solutions and in permanent placement. We are also introducing new delivery models and enhancing digitisation across all business lines, reducing manual processes and shrinking our paperwork burden. This will allow us to operate with greater speed, flexibility, transparency, insights, and cost-effectiveness. These actions will benefit us over a two- to three-year timeframe.

1 Organic growth is a non-US GAAP measure and excludes the impact of currency, acquisitions, and divestitures.

2 EBITA is a non-US GAAP measure and is defined as operating income before amortisation and impairment of goodwill and intangible assets.

3 In 2016, EBITA included one-offs of EUR 36 million.

As earnings grow over time, so our dividend per share will also grow. And we are committed to holding our DPS at least in line with the prior year, even if EPS temporarily declines.

With Innovate, we are developing and acquiring new approaches and capabilities to capture the opportunities in the changing world of work. We are exploring and experimenting, and we are engaged in multiple pilot projects and market tests. These will help us to address a much larger segment of the workforce, to offer new services to employers, to change our relationship with workers, and to monetise our data. These initiatives give us the opportunity to increase our scale and profitability. And whilst ours will always be a cyclical business, they may also reduce the degree of this cyclicality and possibly raise the bar for existing and potential new competitors. Our horizon here is about five years, but some changes could come faster.

We are pursuing this strategic agenda within the context of our ongoing commitment to invest in the business and return excess capital to shareholders. 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.

At the Annual General Meeting of Shareholders (AGM) on 20 April 2017, the Board of Directors will propose a dividend of CHF 2.40 to shareholders, in line with the prior year. This represents a pay-out ratio of 50% of 2016 adjusted EPS. The amount of the total dividend distribution will be split into two payments. One dividend distribution of CHF 1.50 per registered share will be made from the available earnings; the ex-date for this dividend distribution is 28 April 2017. A second dividend distribution of CHF 0.90 per registered share will be made from a reduction in the nominal value of the Adecco Group AG share, and is therefore expected to be exempt from Swiss withholding tax; the ex-date for this dividend distribution is expected to be 11 July 2017.

In addition to our annual dividend payments, at the end of each year we will review our financial position and excess capital will be returned to shareholders. At 31 December 2016, net debt[4] reduced to EUR 887 million, driven by solid cash flow generation and supported by the EUR 72 million of net proceeds received related to the merger of our Beeline business with IQNavigator. The ratio of net debt to EBITDA[5] excluding one-offs reduced to 0.7x at year end. Given this position, the Board of Directors decided to launch a share buyback programme of up to EUR 300 million.

We end this letter where our Company begins – with The Adecco Group's mission to empower people, fuel economies, and enrich societies. Fulfilling this mission benefits not only shareholders, but employees, candidates, clients, and society at large. In this report, we provide details of the material factors impacting all dimensions of our business, and how our passion for our purpose creates value for all stakeholders of The Adecco Group.

Once again we thank you, our valued shareholders, for your trust and support, as we thank all the clients, associates, colleagues and social partners who work with The Adecco Group worldwide. We enter 2017 with confidence and we look forward to reporting our progress in the coming year.

Rolf Dörig
Chairman of the Board

Alain Dehaze
Chief Executive Officer

We are developing our business with a strategic agenda that has three levels:

Perform

Enhance our competitive position, by reinforcing our foundations, streamlining our business and brand portfolio, and improving our efficiency.

Transform

Evolve our business to enhance the solutions and experience that we provide to our clients, candidates, associates and colleagues.

Innovate

Develop and acquire new approaches and capabilities to capture the opportunities in the changing world of work.

4 Net debt is a non-US GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments.
5 EBITDA is a non-US GAAP measure and refers to operating income before depreciation, amortisation, and impairment of goodwill and intangible assets.

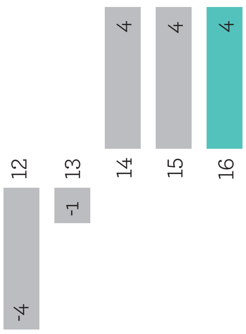
Delivering progress

Performance highlights

Organic revenue growth

4%

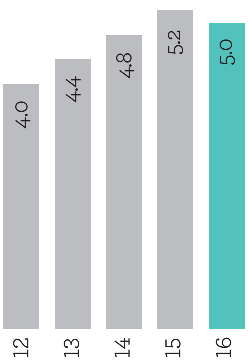
Continued steady trend, in line with or better than our major peers



EBITA margin excluding one-offs

5.0%

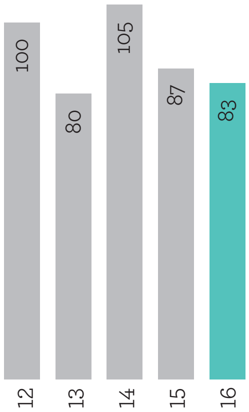
Margin leadership maintained while investing for the future



Cash conversion[1]

83%

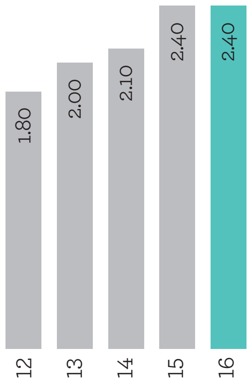
Strong underlying cash flow, negatively impacted by timing of payments



Dividend per share[2]

CHF 2.40

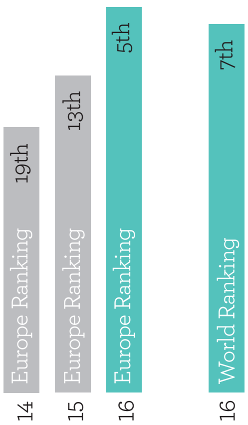
In line with last year, and representing a 50% pay-out ratio



Great Place to Work® ranking

7th

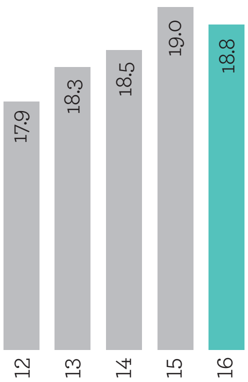
Out of >6,000 participating multinational companies



Gross margin

18.8%

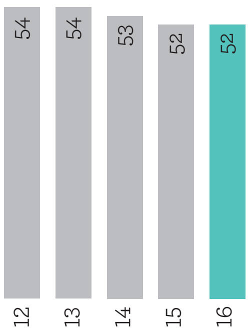
Price and mix effects in temporary staffing not fully mitigated



Days Sales Outstanding

52 days

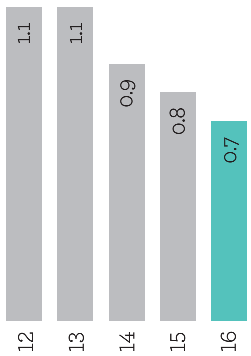
Continued focus to support cash generation



Net debt to EBITDA excluding one-offs

0.7x

Strong financial position allowing excess capital return to shareholders



To see how we manage our performance see our Performance Management Framework on pages 20-21.

1 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.

2 For 2016, as proposed by the Board of Directors.

Key milestones and achievements

Great Place to Work® recognition

The Adecco Group ranked 5th in Europe and 7th in the 2016 World's Best Multinational Workplaces selected from more than 6,000 participating companies.

EUR
300 million

share buyback programme launched in March 2017. This is in addition to a proposed dividend per share of CHF 2.40 for 2016, which equates to approximately EUR 382 million.

'Grow Together' launched

This is a business transformation initiative to drive growth, support gross margin, and enhance productivity, based on a deep-dive review working with a leading external partner.

Over
7,000

apprenticeships and internships provided. Within our own operations and in cooperation with our clients, we provide work-based training to thousands of young people. We also promote such schemes through our involvement with the Global Apprenticeships Network (GAN).

Over 1 million

people reached during our fourth annual 'Street Day'. Almost 7,000 Adecco Group employees took to the streets across 53 countries and 670 cities on 17 March 2016 to give free career advice to jobseekers.

Digital strategy brought to market

Our technology ventures are structured in the categories Digital Productivity, Digital Twins, and Digital Innovation. Solutions already launched include Adecco Analytics, Beeple, Talentoday, and WowooHR.

See pages 12-13 for more details.

Adecco Analytics · Beeple · 人力窝 WOWOOHR · talentoday · PARTECH VENTURES

15,200 employees

swam, ran and cycled for Win4Youth in 2016, reaching 4 million kilometres. A Group donation of EUR 427,809 was made to 9 Foundations supporting children's development needs in Latin America, Asia, Middle East and Eastern Europe.

Penna Consulting acquired, Beeline VMS business merged with peer

Penna further strengthens our global leadership in career transition, by adding the #1 position in the UK market. The Beeline merger with IQNavigator has created the world's #1 independent VMS provider.

More than
7,000

elite athletes reached globally in 2016 through the International Olympic Committee (IOC) and International Paralympic Committee (IPC) Athlete Career Programmes in co-operation with The Adecco Group. The Programmes provide educational, career guidance and job placement support, ensuring athletes' lifelong success.

Performing, transforming and innovating

Our Executive Committee looks back on 2016 as a year of strong progress. The Adecco Group delivered a steady and solid financial performance: we maintained our revenue momentum, and profitability was again the highest amongst our industry peers, while we invest in the business. We also launched a series of strategic and operational initiatives under our agenda of Perform, Transform and Innovate. Some of these will already make a positive contribution to our performance in 2017, and we are confident that over the next few years their cumulative effect on our Company will be substantial.

Our steps in 2016 to drive Performance

In 2016, we took many steps to strengthen our current operations and enhance our competitive position – the essence of our Perform agenda. We made good progress in implementing our six strategic priorities: Professional Staffing and Solutions; Permanent Placement; Segmentation; Digital; Engagement; and Thought Leadership. The concrete steps we took in 2016 towards their implementation included bringing in new talent and expertise, and creating a global practice structure to leverage the Group's know-how and support the consistent implementation of the priorities at a country level. Details of our progress are provided on page 7.

The Adecco Group aspires to empower people, fuel economies, and enrich societies. Fulfilling this mission benefits not only shareholders, but employees, candidates, clients, and society at large.

Enhancing our IT infrastructure

In our increasingly digital world, another key initiative is the enhancement of our information technology infrastructure. We are addressing customer-facing, middle-office and back-office systems. We decided to adopt a modular approach, working with leading IT providers. The elements already in place are receiving positive reviews from our colleagues, clients, and candidates. Importantly, our approach will be adaptable to possibilities that are not yet in our plans, but could be in the not-too-distant future.

Optimising our portfolio of businesses

In 2016, we took several measures to enhance our overall portfolio of businesses. We operate a 'watchlist' for businesses that are not achieving our expected level of performance. Thanks to this approach, we were able to identify and implement performance improvement measures in Norway and Australia; our operations here entered 2017 on a much stronger footing than they have had for several years. Conversely, we decided to divest our activities in Russia, Ukraine, and Venezuela, given the longer-term regulatory and economic outlook in these markets.

We also took some limited but important steps in the area of mergers and acquisitions. In May, we acquired Penna Consulting, further strengthening our operations in the UK and our career transition and talent development (CTTD) business. Our Lee Hecht Harrison business is the global leader in CTTD, and we now hold the number one or two position in career transition in all major markets worldwide. In December, we announced the merger of Beeline, our Vendor Management Systems (VMS) business, with industry peer IQNavigator. This move created the world's number one independent technology provider for extended workforce management solutions, and allowed The Adecco Group and our shareholders to realise value from our previous investments in this business.

Streamlining our brands

Like many global companies that have grown in part through acquisition, we do business under a number of different brand names. Two years ago, that number stood at 70. We are in the process of shrinking this to approximately 20. The work reflects a new systematic approach to brand portfolio management and rationalisation.

Our General Staffing activities will operate under a single global 'Adecco' brand. In Professional Staffing and Solutions, we will focus on a small number of global lead brands targeted on specific skill sets and services. Examples are Modis for IT and Engineering, Lee Hecht Harrison for CTTD, and Pontoon for managed services provision (MSP) and recruitment process outsourcing (RPO). All of these brands are brought together under The Adecco Group, for which we launched a distinct corporate brand identity and positioning in January 2017. This focus on fewer and bigger global brands enables the Group to maximise market power with candidates and clients and generate greater economies of scale.

All of the steps we took last year will strengthen our leadership position in the current marketplace and create a foundation for us to capture the opportunities that we see ahead.

Strategic priorities	Achievements in 2016
1 Professional Staffing & Solutions Further strengthen our worldwide leadership position	• Strengthened our multi-brand approach around our core global lead brands • Acquired Penna to reinforce our global leadership in Career Transition • Professional Staffing & Solutions represent 25% of Group revenues
2 Permanent Placement Build a culture of excellence in both professional staffing and general staffing	• Continued to invest in perm teams, brands and sharing best practices • Revenues +23% combined in key investment markets of France, Germany, Italy and Spain; total permanent placement gross profit 10% of Group
3 Segmentation Diversify our portfolio and ensure the correct delivery model for every activity	• New Client and Candidate Portfolio Management approach for SMEs • Onsite country practice leaders appointed in our major markets • Double-digit revenue growth in Onsites; SMEs now ~35% of revenues
4 Digital Digitise our business and be a leading innovator in emerging digital activities	• Defined Digital strategy; appointed new CIO and Head of Digital • Introduced modular approach to upgrade and strengthen IT infrastructure • Launched first of our digital ventures in data analytics and online staffing
5 Engagement Get, keep, grow, enable, and inspire the best talent in the industry	• Implemented new talent framework: Get, Keep, Grow, Enable, Inspire • Strengthened global talent management and career & succession planning • Added 'talent without labels' concept to enhance our diversity initiatives
6 Thought Leadership Guide individuals, companies, governments and social partners with our deep market expertise	• Created global thought leadership group to leverage our knowledge • Began series of White Papers on the Future of Work • Extended our 4th Global Talent Competitiveness Index to 118 countries and 46 cities

Adapting to the future by Transforming and Innovating

The world of work is changing rapidly, driven by five global megatrends in the areas of technology, sociology, demographics, regulation and political economy. These megatrends will transform the world of work in the coming years. This may challenge our industry, but it will also create new opportunities.

Although it is too early to know the exact nature of the transformation, we believe the time to begin acting is now. The broad directions are already becoming clear: increased employee and employer flexibility, new employment models, rapid job creation and destruction, digital-physical hybrids, data-driven insights and solutions. Under our Transform agenda, we are adapting to these developments by introducing new delivery models and enhancing digitisation across all business lines. As well as adapting our existing offerings, we are developing and acquiring new approaches and capabilities – this is the focus of our Innovate agenda. We are exploring, experimenting, and launching pilot projects in new solutions, enlarging the scope and value of our activities in the emerging world of work.

5 global megatrends changing the world of work

Developments in areas like robotics, artificial intelligence and 3D printing will reduce repetitive and low- to middle-skilled jobs in the manufacturing and service industries. At the same time, they will create new jobs that do not exist today. Technology will also enable more efficient and effective labour market intermediation. This will change business models in our industry.

Today's political and economic landscape has been described as volatile, uncertain, complex and ambiguous. For every government, sustainable economic growth is essential. Against this background, governments and businesses are seeking greater access to talent and increased workforce flexibility to drive economic competitiveness and growth. They will increasingly look for total workforce solutions to achieve these goals.

Ageing and fertility trends in Europe, North America and parts of Asia will mean shrinking labour forces and higher dependency ratios, leading to skills gaps and pressure on welfare systems. In some markets, over-65 is becoming the fastest-growing segment of the population. Migration from countries with younger and growing populations will become a topic of increasing importance.

New forms of social interaction are driving new employment models in the 'sharing,' 'on-demand' and 'away from home' economies. These new models will change work-life patterns, especially amongst younger (Generations Y and Z) and older workers. Flexible working arrangements such as freelancing, telecommuting, temporary work and SOW consultants will increase. These sociological trends are already taking hold: contingent staff (those engaged in non-permanent working arrangements) already account for up to 40% of the workforce at some large companies.

Traditional employment structures with guaranteed benefits are shrinking rapidly. The "precariat" is expanding; income and wealth inequalities are large and growing. These are the preconditions of social unrest, political upheaval – and regulatory intervention. Developments in 2016, including "Brexit" and the rise of populist political movements in Europe and the United States, challenged the regulatory status quo. These challenges will continue.

Our Grow Together initiative

One of the most important initiatives for transforming our business is named Grow Together. Working with a leading external partner, we have performed a strategic analysis of our business operations: the way we interact with clients and candidates, and the operating procedures we follow in our branches, back offices, and central functions. This has revealed many examples of best practices, but also opportunities to improve. Clients can sometimes be asked to sign four physical documents and candidates up to eight. In some cases, timesheets are not digitised, and our colleagues can spend up to 5% of their time making corrections. Branch employees can use many different IT tools, and branch managers can have multiple performance dashboards available to review.

While these examples are exceptions and outliers to the norm, they show that we have opportunities to improve service levels and user experience for clients and candidates. By delivering these improvements, Grow Together will drive topline growth and support our gross margin, as well as enhancing efficiency and productivity. We have already begun to implement our Grow Together initiative. In the Netherlands, for example, we are reconfiguring our branch network to include new career hubs for candidates and to reduce the total number of our premises. In the area of Group central functions, we have implemented a new procurement structure to better leverage our global scale, capturing savings on existing spend in order to fund new investments in growth. As we make further progress on Grow Together, we will be able to offer more to our clients and to our candidates – and do so more rapidly and cost-effectively.

Widening our core business

One way in which we are offering more is by broadening our service offering. Our traditional core business has been temporary staffing, which accounts for 1% to 3% of the workforce in most developed economies. We have widened our focus to the entire flexible, or contingent, workforce. This includes not only temporary staffing, but also outsourcing, contractors, freelancers, and other workers; together they account for up to 40% of the workforce at some large companies. We can help these companies to find, hire, train, administer and manage this part of the workforce. Importantly, this proliferation of employment models brings an increasingly complex regulatory landscape, and The Adecco Group can ensure that employers navigate this in a compliant way.

Demand is also set to increase for the services we provide to organisations for their core permanent workforces, driven by the megatrends changing the world of work. As demographic trends cause skills shortages and tighter labour markets in many countries, talent acquisition will become an even higher priority for employers. The impact of technology in areas such as robotics and artificial intelligence will rapidly change the skills needed by some organisations; this will drive greater demand for talent development and training, and for career transition. We have a strong offering in permanent placement, and Lee Hecht Harrison is the global leader in career transition and talent development. Extending and expanding these activities from this base is a key focus area for The Adecco Group.

Reinventing customer experience

To reflect the changing sociology of employment, we are reinventing The Adecco Group customer experience, providing tailored employment support for all. Candidates wanting varied assignments with different companies are looking to us not only as intermediaries, but also as counsellors or trainers. Recruiters are becoming career coaches. Organisations are relying on us not only to fill their vacancies, but also to advise on which employment model is right for a particular role. Salespeople are becoming workforce solutions consultants. Such tailored support demands a different physical infrastructure. Traditional branches are becoming digitally-enabled career centres and service delivery hubs.

Exploring digital opportunities

Digital is an area of particular exploration and experimentation. The outcome of some initiatives will be new tools that we can take to the market; other initiatives may create a new marketplace itself. One pillar of our digital strategy is to take existing service offerings and create Digital Twins, providing workforce solutions with little to no human intervention. For example, our Beeple product provides fully digital solutions for clients to source, manage, pay and rate associates for short-term assignments.

Another pillar of our digital strategy is Digital Innovation, creating truly new products and services. One fertile area is in leveraging big data. We have a large and under-utilised reservoir of data, built over many years and millions of job placements. We have created Adecco Analytics to use this resource to better serve our clients, candidates and colleagues – and in new ways, such as predicting opportunities and challenges in specific markets.

In executing our digital strategy, we take a co-creation approach, teaming up with the best minds and companies in the technology world – from niche start-ups to large multinationals. These partnerships can take different forms: commercial relationships, direct investments, joint ventures or even acquisitions. This approach is supported by our strategic investment in an early stage technology investment fund managed by Partech Ventures. Our investment gives us a high degree of visibility on developments across the technology and digital start-up space, and the opportunity to participate in the financing of promising early stage digital businesses.

Our purpose is key to our culture

Today, and even more in the future, employment is a matter of public policy. Youth employment and employability, mobility, lifelong learning and training, public-private partnership, and the social contract are among the most prominent issues. We intend to use our knowledge and insights to contribute to the public policy debate across the markets where we are active. And our role is not limited to debate. We have launched many programmes taking concrete actions, such as Adecco Way to Work™, CEO for One Month, Win4Youth and the IOC and IPC Athlete Career Programmes. We also support many similar initiatives. One example is our involvement with the Global Apprenticeships Network, where The Adecco Group holds a Board Membership position.

The strong sense of this purpose and making a difference to people's lives is a critical part of our culture. Our colleagues say it is part of what attracted them to The Adecco Group and what makes it a great place to work. We are very proud that The Adecco Group ranked as the 7th best multinational to work for in the world, amongst 6,000 multinationals participating in the 2016 Great Place to Work® survey. It confirms that we truly live our values, and this recognition helps us to attract more great talent to join us in fulfilling our mission.

Emerging on the horizon is a new world of work. It brings exciting opportunities for The Adecco Group. If we move promptly and decisively, we will be amongst the leaders of this transition.

For more information on our social programmes, visit our website adeccogroup.com

WAY TO WORK
BY THE ADECCO GROUP

WIN 4 YOUTH

THE ADECCO GROUP
IPC ATHLETE CAREER PROGRAMME
In Cooperation with The Adecco Group

Building on our strengths

Today our industry is fragmented, dominated by a few large global players, a handful of mid-tier companies, and thousands of much smaller entities, including hundreds of digital new entrants. Many of our activities are cyclical, and have low margins, low capital-intensity and low barriers to entry. Our business is highly dependent on relationships and local expertise, underpinned by a network of physical locations.

These structural dynamics may evolve as the new world of work emerges. Our industry will always be sensitive to GDP growth, but our business could become less volatile as we work more closely with customers and candidates throughout the economic cycle. It could also become even less capital-intensive as our value to them becomes less about physical branch locations and more about digital access. Our industry could also consolidate, as barriers to entry rise due to an importance of service capability, compliance with complex regulations, and proprietary data analytics – all of which favour a large industry player like The Adecco Group. These developments could drive higher margins and structural growth.

Our business is a robust cash generator. We do not see that changing even as we adapt to new opportunities and challenges. Our cost and capital discipline will remain a priority, driving consistent strong cash generation and ensuring that our cash flow is used to enhance shareholder value.

The Adecco Group achieved much in 2016. One of the most remarkable achievements was how our more than 33,000 employees embraced the changes we are making within our organisation, as well as the opportunities and challenges that we see ahead. They are the embodiment of our strategic vision, and they will make that vision a reality.

We enter 2017 better able to grow revenues, profit, and cash flow, thanks to the actions we took in 2016 to strengthen our operations. And we move into a period of significant change in our industry with confidence that we will be a leading player in the changing world of work, thanks to the initiatives we have set in motion throughout our company.

Alain Dehaze
Chief Executive Officer

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 existing 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.

New employment models bring exciting growth opportunities

We are the largest provider of workforce solutions, yet we have less than a 2% share of the total addressable market for flexible and permanent workforce solutions. Strengthening and expanding our service offerings will allow us to grow revenues even if economic growth remains modest.

Higher value, lower costs and 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, consistent with our through-the-cycle financial objectives.

Investing in innovation for the new world of work

Why digital is important

The Adecco Group has been at the forefront of the workforce solutions industry for more than 50 years, and is well-placed to maintain this position as the industry evolves. Our digital strategy is a key component of how we lead the development of the industry.

The digitisation of our business and services allows us to bring more value to clients and candidates, delivering better solutions with an improved user experience. By leveraging our data and enhancing our analytics capabilities, we will further improve the matching of candidates to the requirements of employers, based not only on skills but also on values and culture. We provide clients with ever-greater transparency on both their contingent and permanent workforce. This allows us to generate deeper insights into how to manage the workforce of today and how to shape the workforce of tomorrow – a critical topic given the rapid developments in areas such as robotics and artificial intelligence.

Digitisation of our business will improve the user experience for candidates, associates, and clients. With a multi-channel approach for engaging with users, we will increase convenience, flexibility, speed, and transparency for all. Candidates will engage with our consultants in the way that best suits their needs and preferences, receiving timely feedback and advice at all the critical points in their career journey. Clients will have fully digital tools to source, manage, pay, and rate associates for short-term assignments, allowing the flexible workforce to be managed in a more efficient and effective way. The digitisation of many of these processes will also allow our consultants to focus on more value-added tasks, such as providing advice to clients and career coaching to associates.

One result of better solutions and an enhanced user experience is deeper relationships with our customers. We expect differentiation between providers of workforce solutions to increase, leading clients and candidates to work with fewer suppliers. Another consequence of digitisation is cost efficiency. We are continuing to reduce manual processes and we increasingly provide our solutions through digital channels. The hybrid physical-digital models we are adopting will lower our cost-to-serve, increasing the value for money we provide to our clients while also helping to drive our profitability.

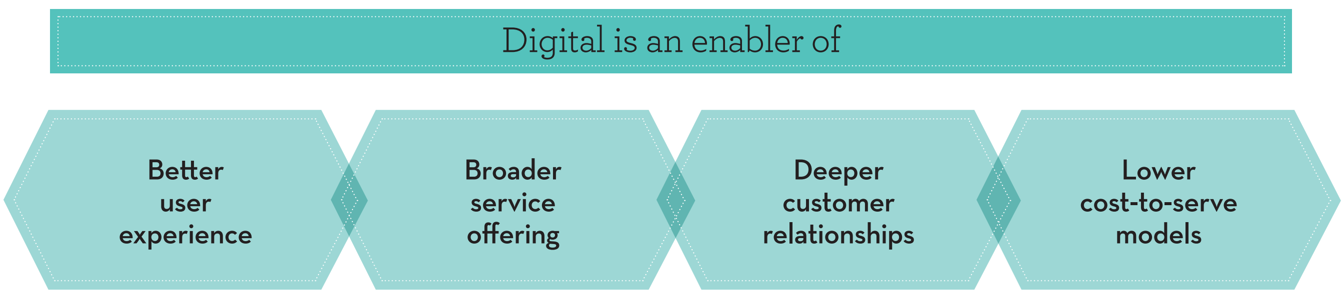
How we are moving ahead in digital

Our digital strategy has three key pillars. Digital Productivity is focused on digitising our legacy systems to improve productivity and strengthen our cost leadership. With our Digital Twins pillar, we are bringing traditional offline models fully online, providing workforce solutions with little or no human interaction. Digital Innovation is concerned with looking beyond existing activities and adding new services, new business models, and new markets to our portfolio.

In executing our digital strategy across these three pillars, we take a co-creation approach. We are teaming up with the best minds and companies in the technology world – from niche start-ups to large multinationals. These partnerships can take different forms. In the Digital Productivity pillar, we typically procure of state-of-the-art technology solutions and enter into commercial partnerships.

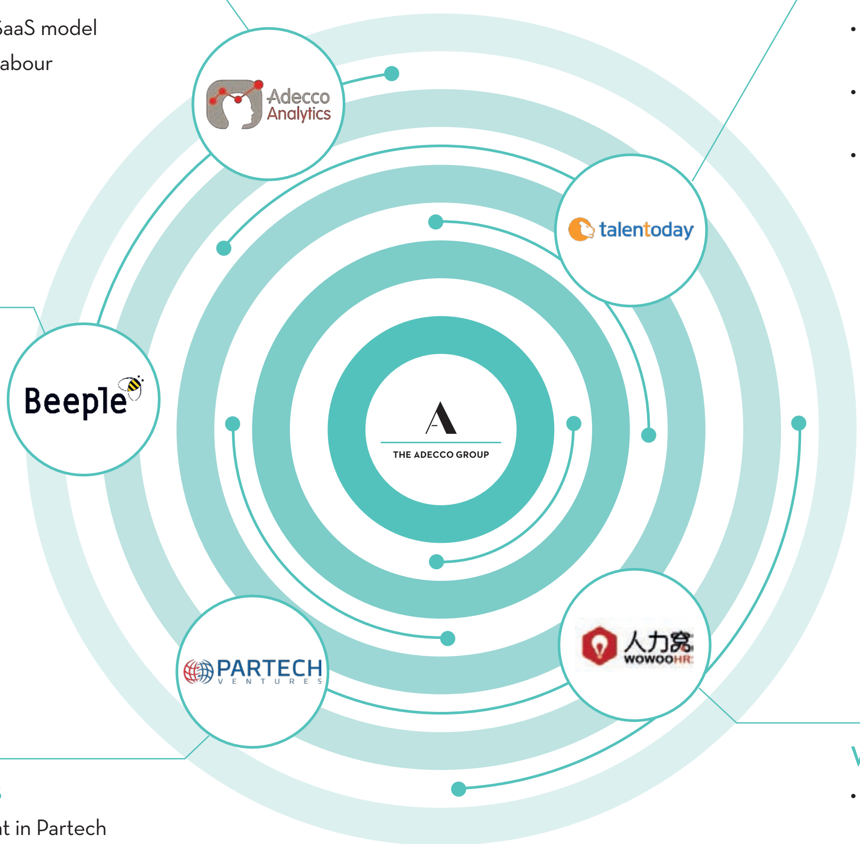
For Digital Twins and Digital Innovation, we use a range of different models. One approach is to fund and accelerate internal ventures, which we co-create with technology partners. Another approach is to invest in businesses at the Series A funding stage, when the entrepreneurs have already gained some market traction. In both of these approaches, we provide promising ideas with our workforce solutions expertise, allowing for product development, piloting, and feedback. We also bring the network of the world's largest workforce solutions provider. Our sales, marketing, and distribution support is invaluable in scaling products and services once they are stable and market-ready.

These approaches for business development are supported by our strategic investment in an early stage technology investment fund managed by Partech Ventures. Partech Ventures is one of the world's leading venture capital firms, with offices in San Francisco, Berlin, and Paris. The Adecco Group and Partech Ventures have an exclusive partnership to foster business development and open innovation in the areas of workforce solutions and HR technology. Our investment gives us a high degree of visibility on developments across the technology and digital start-up space, and the opportunity to participate in the financing of promising early stage digital businesses.



What digital products we are working on

Our approach is not to be a passive investor in digital technologies, but to actively engage in monetising digital solutions – this is what we mean by co-creation. To drive execution and provide strong oversight and governance, we have created a dedicated organisational structure for Digital and Innovation. Within this unit we are currently developing more than 10 ventures across areas such as online staffing and HR services, big data analytics and assessment. Examples of these ventures include Beeple, WoWooHR, Talentoday, and Adecco Analytics.



Adecco Analytics

- Big data analytics; SaaS model
- Provides real-time labour market data
- Internal start-up

Beeple

- End-to-end online staffing tool
- Focused on high volume profiles
- Direct investment in start-up

Partech Ventures

- Strategic investment in Partech International Venture VII
- Leading early-stage technology fund in San Francisco, Berlin, and Paris

Talentoday

- People Analytics based on big data
- Enhances talent acquisition and development
- Direct investment in Series A fundraising

WowooHR

- Digital platform for online HR services
- Serving SMEs and entrepreneurs in China
- JV with Alibaba/Alipay, and FESCO

Bringing new perspectives to the world of work

As an organisation, The Adecco Group takes responsibility, a stand, brings new perspectives and orientation in the fast changing world of work. We use our global reach, insights and brand voice to give guidance whereby governments, organisations and people can thrive to unleash the power of work.

In 2016, The Adecco Group introduced thought leadership as one of its new strategic priorities, providing an opportunity to leverage and innovate on the many existing thought leadership successes and best practices within the Group. A global team approach was established with project leads, a core team and subject matter experts – all endorsed by The Adecco Group Executive Committee. The Adecco Group Executive Committee, each of whom also acts as a sponsor to one or more of our strategic priorities.

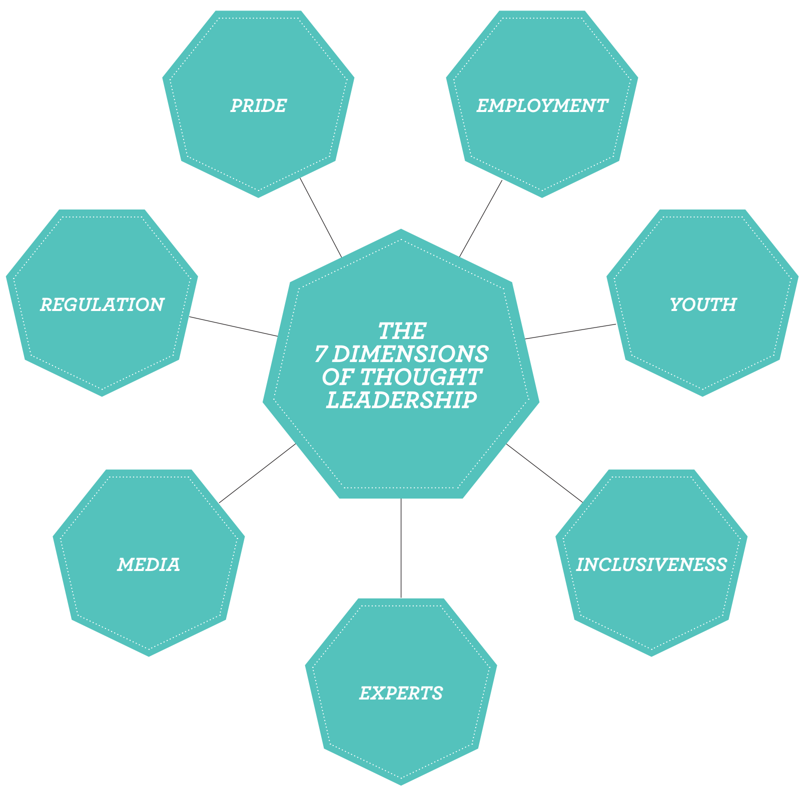
We recognised the need to implement a thought leadership strategy, not only to resonate with our multiple audiences and stakeholders, but also to align with the impact of the 4th Industrial Revolution. Our belief is that thought leadership is an integral part of how we act every day and that is 'owned' by each of our 33,000 colleagues within the organisation. Our approach to thought leadership drives differentiation, helps build brand reputation, creates new business opportunities and provides inspiration to stakeholders – both internally and externally.

Thought leadership is activated globally by our lead brands (Adecco, Badenoch & Clark, LHH, Modis, Pontoon and Spring Professional) and geographies with the framework of the 'Thought Leadership Wheel' – a guidance concept that provides content and governance in 7 dimensions.

Our global thought leadership activities include our strategic partnership with the World Economic Forum; our collaboration with INSEAD and Singapore's Human Capital Leadership Institute to publish the Global Talent Competitiveness Index (GTCI); our close alignment with the Global Apprenticeship Network (GAN); The Adecco Group Way To Work™ programme, the IOC and IPC Athlete Career Programmes and our highly successful Win4Youth initiative. Each reflects several dimensions of the Thought Leadership Wheel and our position as the leading labour market expert that helps create employment, gives security and drives prosperity.

To help recognise thought leadership excellence within The Adecco Group, the Thought Leadership Excellence Awards were introduced in 2016. In its inaugural year the following Adecco Group subsidiaries and brands were shortlisted for their thought leadership achievements:

- Adecco Group France: La Grand Ecole de l'Alternance
- Adecco Group Mexico: Adecco Partners (SME initiative)
- Adecco Group Argentina: Partner – first Argentinian Business and Investment Forum
- Lee Hecht Harrison: The Leadership Contract
- Adecco Group New Zealand: Athlete Career Programme Activation



Best practice examples from France and Italy

'La Grand Ecole de l'Alternance': a programme leading to positive change

Adecco Group France is committed to promoting youth employment and the development of work-based training.

In France, 10% of the working-age population is without a job and 25% of the population under the age of 25 is unemployed. Yet, between 300,000 and 1,000,000 jobs remain unfilled as companies are not able to find the right candidates with the right skills.

To address this problem, Adecco Group France created 'La Grand Ecole de l'Alternance' which reacts to the lack of certain skills by developing candidate profiles that companies are requesting. From industry to construction and digital to transportation, Adecco Group France partners with the best universities in these sectors and large companies, such as Microsoft, to develop appropriate training programmes.

The apprenticeship schemes that we offer are a tailor-made blend of academic study and work experience. They focus on creating long-lasting employment and addressing the gap between companies' needs and workers' skills and qualifications, for the jobs of today and the emerging jobs of tomorrow.

By sourcing, creating and placing these young talents, 'La Grand Ecole de l'Alternance' provides customised solutions for companies across France. To date the scheme has created 10,000 working students in two years, 1,500 of whom are in The Adecco Group with an apprenticeship or training scheme contract and with 100% employment success rate and 75% will stay in their host company.

'La Grand Ecole de l'Alternance' has the ambition to support 120,000 young people to find a sustainable job within 3 years.

'Young Digital': an Adecco Group Italy initiative to reducing the job/candidate mismatch in digital

ICT and digital skills today represent an added value of primary importance for young people to find employment and, as highlighted by the European Union, these competencies will be necessary for 85 – 90% of all professional fields by 2020.

With the support of Italy's Ministry of Labour and Modis Italy, the Young Digital initiative provides an opportunity for the training and employment of young people in the ICT sector as part of the national Youth Guarantee Programme. The primary objective of the project is to reduce the digital mismatch, i.e. the discrepancy between the skills required by companies in the ICT sector and young candidates' skills.

The programme develops ICT professionals through alternative training courses lasting 12 weeks and is monitored and assessed at every stage by the Ministry of Labour and Social Policies.

For further details about The Adecco Group's approach to thought leadership, please see adeccogroup.com

Delivering value in the world of work

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

Inputs

Our critical capitals

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 an effective network of branches, back offices, and IT infrastructure to effectively serve our candidates, associates and clients.

Financial
Securing access to funds to sustain and grow our business.

Activities

Services and solutions

- TEMPORARY STAFFING
- PERMANENT PLACEMENT
- CAREER TRANSITION
- OUTSOURCING
- MSP & RPO
- TALENT DEVELOPMENT

Key differentiators: Breadth of service offering...

Strategy

Strategic agenda

PERFORM → TRANSFORM → INNOVATE

Strategic priorities

1. PROFESSIONAL STAFFING & SOLUTIONS
2. PERMANENT PLACEMENT
3. SEGMENTATION
4. DIGITAL
5. ENGAGEMENT
6. THOUGHT LEADERSHIP

Market context

Trends impacting our business

See page 8 for more information.

Underpinned by our people, values and culture

Customer Focus
Passion
Entrepreneurship

See pages 28-29 for more information.

Business lines

GENERAL STAFFING

PROFESSIONAL STAFFING & SOLUTIONS

Geographies

60 COUNTRIES

...Strong brands... ...Global footprint

Performance management

Our KPIs

GREAT PLACE TO WORK®

GROSS MARGIN

DSO

NET PROMOTER SCORE

CONVERSION RATIO

Responsibility

Team Spirit

Value created...

€372m
dividends paid

€300m
share buyback announced

7th rank
in World's Best Multinational Workplaces Great Place to Work®

>700,000
associates working each day

~110,000
permanent placements

87%
client global satisfaction score

€259m
income taxes paid

71/100
2016 EcoVadis Gold rating

...and shared

Investors

We benefit from attractive industry dynamics; by managing our capitals 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 & 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, sharing our labour market insights and experience to support sustainable and responsible economic growth and job creation.

Adding value through differentiated services

With our truly differentiated range of flexible and permanent workforce solutions, we help organisations to succeed by leveraging talent and technology

	Our service	Our value
TEMPORARY STAFFING	We provide associates on a temporary basis, with assignments lasting from a few hours to more than one year. Our services include sourcing and interviewing candidates, matching them with suitable roles, payrolling them, and remitting social security payments. Our associates cover a wide range of skill sets, from clerical and industrial workers to professionals in areas such as IT, engineering, finance and healthcare.	For employers, we provide flexibility for roles exposed to demand variations such as seasonal peaks, and also covering temporary absences of permanent employees. For associates, we provide opportunities for those who choose to work in flexible way, and a stepping stone for those seeking a permanent role.
PERMANENT PLACEMENT	We work with clients and candidates to recruit talent for permanent positions. We identify candidates, screen and assess them, and match them to roles where there is a strong fit in skills and culture. Positions we fill range from highly specialised professional roles through to generalist clerical and industrial profiles.	Using our deep market knowledge and access to active and passive candidates, we help employers to attract and secure the talent they need for their organisation's ongoing success. We support jobseekers in reaching their career goals, by providing guidance and offering them the right roles for their skills and aspirations.
CAREER TRANSITION	Our Lee Hecht Harrison business supports companies and their employees in reorganisations that require individuals to transition out of their existing roles. Career transition (CT) programmes are often the result of fluctuations in the economic environment, structural changes in an industry, or M&A activity.	During their transition phase, affected employees have access to personalised support and career-building technology, enabling them to move to the next step of their career. Organisations turn to us to help secure positive outcomes for departing employees, maintain business continuity, keep remaining employees engaged, and protect their employer brand.
OUTSOURCING	For certain labour-intensive activities, we offer flexible workforce solutions in which we both provide workers and manage the service delivery; examples include warehouse logistics, call centre operations, and IT support. We are paid on an output-based metric, not on the number of hours worked.	Activity-based outsourcing provides organisations with flexibility and strong value for money – the output-linked model means they pay only for what they really use. We work with clients on process optimisation and take care of labour planning and scheduling, allowing them to focus on their core activities.
MSP & RPO	Our Pontoon business provides MSP and RPO solutions. With MSP solutions, we take care of all parts of the sourcing and management of the flexible workforce at organisations with a large number of contingent workers. RPO is used to outsource the entire recruiting and onboarding process for organisations hiring large numbers of permanent employees.	Benefits include: faster fill rates, improved quality through stronger supplier engagement, cost reductions from leveraging scale and reducing rogue spend, improved visibility from automated reporting and data analytics, risk mitigation through strengthened regulatory compliance, and better implementation of diversity programmes through hiring co-ordination.
TALENT DEVELOPMENT	Lee Hecht Harrison helps to strengthen organisations and create a more capable, engaged, and productive workforce, by developing individual leaders, teams, and culture. Our talent development (TD) services include leadership coaching, career development programmes, assessment and feedback tools, and change management support.	We help organisations to determine their talent and leadership requirements, and identify gaps; we then work with them to implement sustainable solutions to attract, retain and grow talent at all levels of their organisations. Individuals benefit from an objective external assessment with a tailored development plan that allows them to realise their potential.

Our differentiators	In numbers, 2016		
Our segmentation approach means our delivery models are tailored by client type, with on-site solutions for large clients and customized services via our branch network for small- and medium-sized clients. With our multi-brand strategy, clients know they will always be dealing with an expert in the profiles they are seeking.	>1 billion hours worked by our associates	~35% of revenues from small- and medium-sized clients	EUR 3 bn revenues in Onsite solutions
We have invested in permanent placement hubs with a multi-brand, 'experts talk to experts' approach. This allows us to establish peer-to-peer relationships with hiring managers, and to attract talented, qualified, and sought-after individuals who know their skills will be recognised and appropriately valued.	~110,000 placements made	>80% growth in revenues over three years in key investment markets of France, Germany, Italy and Spain	
LHH is the world's largest CT provider, with leading positions in all major markets and 50 years of experience. We can manage CT programmes for a few people or for many thousands, from 385 offices in >60 countries. We are leaders in digital innovation, improving the effectiveness of our services, and making them accessible for all levels within an organisation.	>300,000 career transitions supported	1.8x & 3.0x relative size of LHH's revenues and EBITA excluding one-offs compared to the global #2	~3/4 of LHH's revenues come from clients that work with us in more than one country
Our outsourcing solutions build on our deep expertise in all areas of effective workforce management. We have broad experience in outsourcing across a wide range of industries. We have large and well-established operations in countries such as Spain and Japan, and we are expanding our offering across our global footprint.	>EUR 1 billion in revenues across IT and other outsourcing solutions	16% growth in constant currency revenues as we expand our offering across our global footprint	
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.	180,000 average monthly assignments in MSP programmes	EUR 10 billion MSP spend under management	>60,000 RPO placements made
The TD marketplace is highly fragmented with thousands of small boutique firms; we are rare in being able to provide consistent, high quality services to a single individual or an entire global workforce. Our pioneering digital offering allows our clients to nurture and develop talent across their whole workforce, and not only amongst their senior executives.	EUR 7 billion worldwide market for talent development	Top 5 position in global leadership development, as recognised by the prestigious ALM Vanguard™ rating	

OUR PERFORMANCE MANAGEMENT FRAMEWORK

Managing for value

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

Pre-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

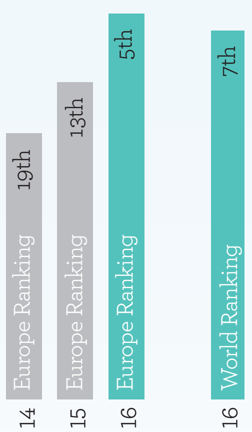
- Volumes
- Bill rate
- Gross margin KPI
- Conversion ratio KPI
- Days sales outstanding KPI
- Capital expenditure
- Funding cost
- Tax rate

KPI Key Performance Indicators (KPIs)

The most important metrics that we measure and monitor to drive value creation

Great Place to Work® ranking

7th



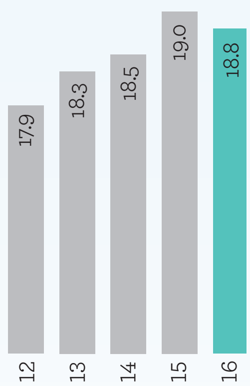
Inspiring talented people to join and grow with us in a high-performing and engaging environment

Net promoter score

Being recognised and recommended by clients for our high-quality services and solutions

Gross margin

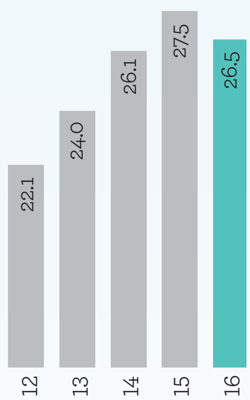
18.8%



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

Conversion ratio[1] excluding one-offs

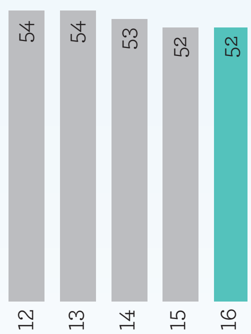
26.5%



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 Conversion ratio is a non-US GAAP measure and is calculated as EBITA as a percentage of gross profit.

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

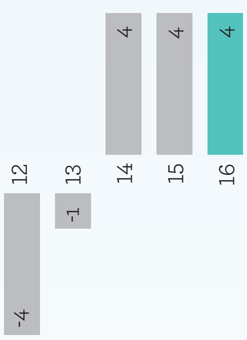
Maintaining financial strength
- ND/EBITDA
- Credit rating

Returning capital to shareholders
- Dividend
- Share buyback

TARGET **Financial targets** To be achieved on average through the cycle

Organic revenue growth

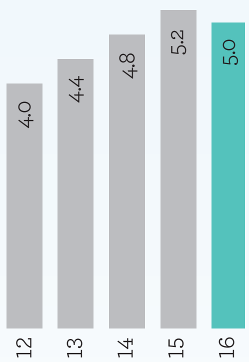
4%



Target: organic revenue growth at least in line with main peers, at Group level and in each major market

EBITA margin excluding one-offs

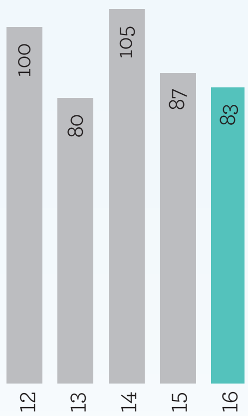
5.0%



Target: maintain EBITA margin leadership and increase to 4.5-5.0% on average through-cycle

Cash conversion

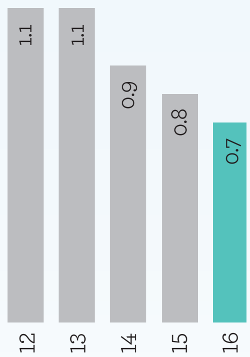
83%



Target: cash conversion at least 90% on average through-cycle

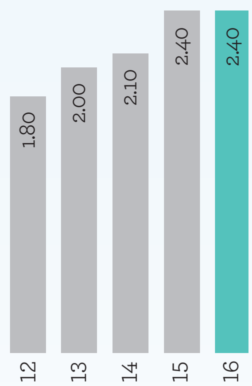
Net debt to EBITDA excluding one-offs

0.7x



Dividend per share[2]

CHF 2.40



Acquisition of Penna and D4

€147m

Share buyback launched March 2017

€300m

2 For 2016, as proposed by the Board of Directors.

For definitions of financial measures, see page 137.

"The Adecco Group is committed to leading the transformation of the world of work, achieving success for all our stakeholders and playing our part in driving sustainable and responsible economic growth for all involved."

Prioritising and managing what matters most

A leader and force for good in the world of work

The Adecco Group aspires to empower people, fuel economies, and enrich societies by providing opportunities for meaningful lifetime employment.

Our goal is to give security and prospects for individuals and provide companies with the critical talent and solutions to stay competitive. We continuously strive to offer lifelong opportunities and meaningful work to all our colleagues employed with or through The Adecco Group. We make our labour market insights and experience available to governments and society at large to shape policies for the welfare of economies and society and aim to be a thought leader in the world of work. As a result, we will be able to generate good returns for our investors.

To achieve our ambitious goal, we have to take into account the capitals we need in an ever-changing environment and the global megatrends impacting our industry in the areas of: Technology, Demographics, Sociology, Regulation, and Political economy. We want to become the 'go-to' partner for all issues relating to the world of work and a true value creator for our stakeholders and society at large.

Understanding and prioritising materiality

Our most material factors are those that have the greatest impact on our ability to create value. To assess and prioritise material factors, we seek to understand the concerns of our key internal and external stakeholders, while taking into account global and industry key trends.

Material factors are those that have, or may have, an effect on the organisation's ability to create value in the short- medium- or long-term. This is determined by considering their effect on the organisation's strategy, governance, performance or prospects.

International <IR> Framework

As part of this process, in 2016 we engaged with a range of internal stakeholders from various departments including HR, Compliance Reporting and Risk Management, Investor Relations, Procurement, International Sales, Tax and CSR at both Group and country level. We gathered and analysed their insights regarding the most material factors for our business, particularly in relation to stakeholder groups and industry key drivers.

In 2016 we also launched a project called 'Face' to engage with a range of stakeholders to design the future of The Adecco Group Customer Experience. In total, over 700 interactions took place with clients, associates and candidates. We created focus groups and interviewed Adecco Group branch managers and HR consultants. In addition, we held insight sessions with representatives from Gen Z and start-up companies. Out of this experience, we defined 'Moments of Truth' in the interaction between the various groups of people. These help us to understand what we do well, where we must do better, and how we can improve to meet and exceed expectations.

Engagement in stakeholder dialogue with an even wider range of groups around material factors will be an increased priority for us going forward. We believe it is the best way to understand the needs of the various groups we serve and interact with, and it enables us to appropriately assess the value we create through our 'Perform, Transform and Innovate' approach.

Today, businesses are only as good as their ability to adapt to new developments. Our goal, in the rapidly transforming world of work, is to become the most credible and trusted workforce solutions partner, ensuring our success and subsequently success for our stakeholders. Our material factors are critical to our ability to create value and are highly relevant to our economic, social and environmental contribution.

For each material factor, we take into account relevant risks and opportunities. Actively managing both – risks and opportunities – needs to be done through an integrated risk management process that leads to organisational understanding of uncertainties across business units and functions, creating a cultural change. The following table shows the value we create, the material factors, risks and opportunities as well as the metrics we use to assess progress.

Dimension of value creation	Material factors	Risks
Meaningful lifetime employment: we further strengthen our worldwide leadership position by creating rewarding careers with a purpose and lifelong development opportunities. We do this by attracting and retaining skilled people who are passionate, dedicated and focused to continuously strive for excellence.	**People management**	Failure in finding, managing, valuing and keeping people can impact many aspects of our ability to conduct business and deliver results. These include the ability to maintain a stable work environment, service quality, satisfy our clients, candidates and associates, and further develop our business.
Trusted advisor on total talent solutions: our business is built on relationships and the confidence and trust of our clients, candidates, and associates. Understanding our stakeholders' needs, fostering and maintaining relationships and growing together are vital to progressing our business and tapping into new ways of working together.	**Customer relationship management**	If we are not able to provide solutions that help our clients, candidates, and associates navigate the changing world of work, we may miss growth opportunities or be negatively impacted by industry consolidation. Not being able to foster long-term relationships with customers and analyse as well as actively manage key data to improve interactions and service can result in customer loss.
Expertise in all areas of total workforce solutions: we are a people business and a trusted advisor to our clients when navigating in and preparing for an increasingly complex regulatory environment. Leading by example and adhering to highest ethical standards is therefore part of our licence to operate.	**Compliance & risk management**	Failure to conduct business ethically and in a compliant manner will negatively impact our reputation and financial performance. As a result, our credibility to provide employees, clients, candidates, and associates with the guidance they expect from us will be impacted and can result in reduced satisfaction and subsequently in customer loss as well as diminish our attractiveness as an employer.
Recognised thought and change leader: being at the pulse of economies, we can lead and shape societal and workplace change, ensuring that our business makes a positive difference in co-creating more inclusive societies and workplace environments that focus on talent and skills.	**Corporate citizenship**	There must be a strategy to contribute to the 'greater good' by investing time, money and in-kind contributions into specific co-operations and programmes. If activities are not tied to the business strategy and follow a clear purpose, there is a risk of underleveraging synergies between philanthropy and business objectives. In addition, not being able to concretely measure investments as well as missing KPIs can result in unsatisfactory results and random, uncoordinated action.
Improving our productivity: Because productivity and efficiency go hand-in-hand, investing in our effectiveness through new delivery models and enhanced digitalisation will do both, support business growth and reduce our environmental impact as well as that of our clients.	**Infrastructure**	Without the right infrastructure, we will not be able to compete in offering new services and delivery models. This will have a significant impact on our growth and profitability. Without continuously striving for efficiency and adapting our infrastructure to a changing labour market environment, we will risk losing client, candidate and associate engagement and miss improving our cost structure and environmental footprint.

Opportunities	Metrics
We seek to lead by example. We are in the people business which means that inspiring and enabling the best people is fundamental. Being a great place to work and attracting, developing, and retaining the best talent, demonstrates that our expertise enables us to deliver outstanding results.	• Great Place to Work® results • % of employee retention rate • % of female share of employees/females per hierarchy level (Global) • % of age distribution of employees • % of people with a disability in select subsidiaries • # of global programmes for employee development • # of achieved kilometres through Win4Youth sports performance by employees See chapters '2016 highlights' p. 4-5, 'Material factors impacting our business' p. 23-27 and 'Our People', p. 28-29 of this Report, and our CSR Report 2015/2016 p. 47-48, 52-53
By broadening our service offerings and anticipating economic, social, and technological change, we seek to become a more valuable service partner – both to those who seek employees and those who seek employment. By working hand-in-hand with our clients, we may reduce the degree of cyclicality inherent to our industry.	• % of share of satisfied clients and associates • # of clients engaged in Win4Youth • # of Adecco Way to Work™ interns with clients • Associate safety See chapters 'Leading in Digital' p. 12-13 and 'Material factors impacting our business' p. 23-27 of this Report, and our CSR Report 2015/2016 p. 27, 32, 36, 65-66
Working closely together with governments and regulators will ensure that we can anticipate and shape labour market developments. It also ensures that we are operating in compliance with local laws and have a focus on longer-term risks and opportunities in the workplace.	• The Adecco Group Compliance & Ethics (ACE) training on fundamental ethical business practices (completion rate in %) • ACE reporting according to issues • Labour rights • EcoVadis Supply Chain assessment See chapters 'Our performance management framework', p. 20-21, 'Material factors impacting our business' p. 23-27, and 'Risk management & principal risks', p. 30-32 of this Report, and our CSR Report 2015/2016 p. 23-25, 53-54
By working collaboratively to create positive societal value and thought leadership regarding workplace change, we can build long-term strategic alliances with clients, governments, and institutions. This will help attract and engage our employees, candidates, and associates while creating deep and lasting relationships.	• Amount of money donated to Win4Youth foundations • # of employees engaged in Win4Youth • # of sports events organised for Win4Youth • # of internships created through Adecco Way to Work™ • # of Adecco Group countries and brands with a 'CEO for One Month' • # of athletes supported in their career development through the IOC & IPC Athlete Career Programmes • % of Adecco Group markets with specific integration programmes for vulnerable groups See chapters 'Message from the Chairman and CEO' p. 2-3, '2016 highlights' p. 5, 'Chief Executive Officer's strategic review' p. 10, 'Our performance management framework' p. 20, and 'Material factors impacting our business' p. 23-27 of this Report, and our CSR Report 2015/2016 p. 30-34, 38, 42, 60-64
Becoming a leading innovator in emerging digital trends and successfully leveraging data could improve our efficiency and better serve our clients, candidates, and associates. It will also enable us to predict trends in specific markets and enables us to adapt or change our delivery models in a timely manner.	• Score EcoVadis • Score CDP Disclosure Project (Investor & Supplier Module) • Scope 1, 2 and 3 CO_2 emission reduction See chapters 'Chief Executive Officer's strategic review' p. 10, 'Leading in Digital' p. 12-13, 'Our business model', p. 16 and 'Material factors impacting our business' p. 23-27 of this Report, and our CSR Report 2015/2016 p. 67-69, 72-73

Meaningful lifetime employment

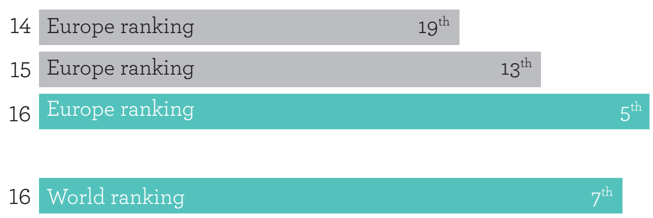
People management

In 2016, we have introduced a new HR talent framework to ensure a high-performance culture by 'Getting', 'Keeping' and 'Growing' our talents to enable them to achieve their goals and contribute to the Company's overall success. We are convinced that passionate people with great purpose and outstanding performance create profit. Employees with a true sense of engagement go that extra mile, push boundaries and achieve results. Especially in countries facing skills shortages, or serious demographic challenges, the need for talent attraction and engagement is all the greater. Therefore, we are prioritising training and development, and empowering our people to perform at the very top of their game through a variety of initiatives such as our Academy as well as global engagement programmes like Win4Youth. And of course we have been measuring our employee satisfaction since 2004 on a regular basis through the Great Place to Work® survey. For more information on 'Getting', 'Keeping' and 'Growing' our passionate colleagues, take a look at 'Our people' section on p. 28-29.

The Adecco Group has continuously raised its position amongst the Best Workplaces in Europe.

We reached 7th place in the World's Best Multinational Workplaces for which we qualified as a result of our success in appearing in the Great Place to Work® Best Company lists in Belgium, Canada, Denmark, Germany, Italy, Luxembourg, Norway, Spain, Sweden, Group Headquarters, the Netherlands, and the United Kingdom.

Great Place to Work® Survey (rank)



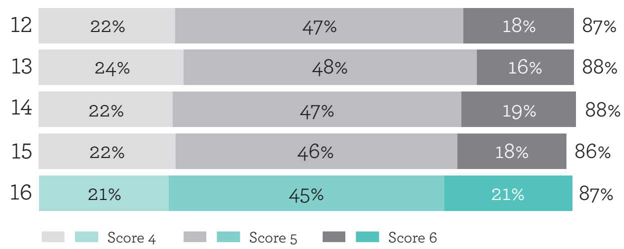
Trusted advisor on total talent solutions

Customer relationship management

We introduced the Global Satisfaction Survey (GSS) in July 2008 across The Adecco Group as a mandatory tool to measure client, associate, and candidate satisfaction. Not only does the survey measure satisfaction, we also use it as a way to assess potential market-specific business risks.

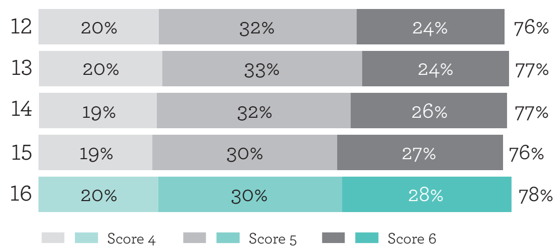
The results provide our leadership team with strategic insights on customer needs and our competitive positioning in the market. The GSS lets us capitalise on our strengths, address our shortfalls and shape our service delivery. It is an effective measurement system that enables systematic fast measurements of client, associate, and candidate satisfaction through web surveys at country level. For the 2016 reporting period, we tracked the satisfaction of our clients, associates, and permanent placement candidates from 44 business units in 29 countries. To date, 13 brands of The Adecco Group are participating in the GSS, covering over 90% of the Group's business. Countries are encouraged to add their country-specific questions to the survey. The GSS is also a major source of information for the preparation and rollout of global strategic initiatives (e.g. segmentation programme; global branding project). Going forward, we will be focusing further on the Net Promoter Score as a leading indicator to analyse customer experience and loyality.

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]?"

Expertise in all areas of total workforce solutions

Compliance and risk management

Our enterprise risk management 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, it is steered by Group management, and is overseen and approved by the Board of Directors. The enterprise risk management process comprises two interacting and integrated levels: segment and corporate. All segments perform risk assessments on the risk categories that can have a significant impact on their operations, quantifying both Gross Risk and Net Risk. Gross Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results in the worst-case scenario. Net Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results taking into account the risk mitigation effect of management controls. The 'Risk management' chapter of this report elaborates on risk management and principal risks.

Our Compliance & Ethics (ACE) training is our 11-module online training programme for employees covering an array of relevant topics to educate them on the basic issues relating to competition law compliance in a practical context. It further provides an understanding of the types of conduct that competition laws are designed to prevent as well as some guiding principles that help ensure compliance in practice. All ACE training modules prepare our employees to handle ethical, legal and regulatory challenges, which they may encounter in their day-to-day work. All colleagues are required to complete at least eight of the mentioned training modules. Some of them are specifically targeted to certain functions and roles.

ACE training on fundamental ethical business practice (% employees completed)

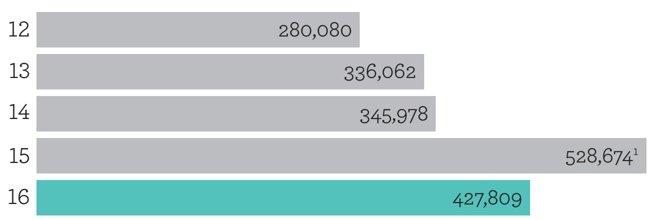
Note: As a result of natural staff turnover, the actual training completion rate remains always below the ideal of 100%.

Recognised thought and change leader

Corporate citizenship

Engaging with organisations or clients in projects that contribute to 'the greater good' has been key for The Adecco Group for many years. We run our own Foundations in France, Spain and Italy through which we drive labour market integration for people at risk of social and workplace exclusion due to their age, ethnic background, disability or social situation. Globally, and in every country where we operate, we are involved in projects that increase labour market inclusion and participation for everyone. We engage with governmental and non-governmental organisations such as the ILO Global Business & Disability Network, the Global Apprenticeship Network (GAN), the International Olympic and Paralympic Committees and other organisations. Additionally, we build alliances with client companies in developing programmes which act as enablers for labour market access for people of all backgrounds and with a variety of skill sets. We offer our expertise, financial resources, tools and the engagement of our people to support and drive awareness, social change and inclusion to make the world of work more diverse.

Charitable donations from Win4Youth initiatives (EUR)



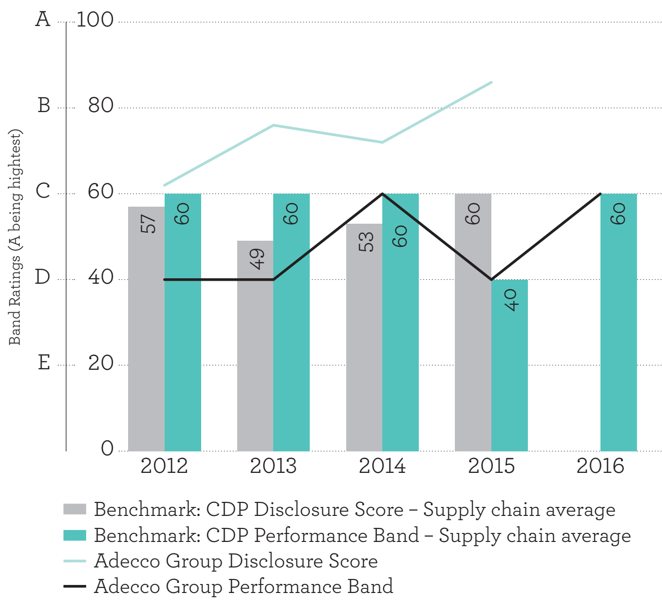
1 An additional EUR 100,000 was donated by The Adecco Group through the Win4Youth Global Solidarity Day 2015.

Improving our productivity

Infrastructure

With our global footprint, operating in 60 countries and all five continents through a network of approximately 5,100 branches and more than 33,000 employees, we do have an impact on the environment through our operating infrastructure. We have been measuring our CO_2 emissions continuously since 2010 and are working to reduce our impact on the environment and on our bottom line through a variety of actions. By improving our physical infrastructure with a customised network of branches, and through the enhancement of our information technology while reducing manual processes as well as shrinking our paperwork burden, we will automatically improve our environmental footprint. Our focus on new service delivery models and increased digitisation across our operations will further contribute to a more efficient usage of resources.

CDP Scores 2012-2016



Note: The CDP Supply chain average serves and comprises all companies which request their suppliers to provide information to CDP. From 2016, CDP no longer publishes a disclosure score.

A business built on talent

The Adecco Group is the world's leading provider of workforce solutions. We help organisations to identify, attract, and grow talented people. We help talented people to find employment opportunities, develop their skills, and take their next career steps. Only talented people can make all this possible – our exceptional employees, who live and represent our values. Their engagement and development is the main factor in the success of our business. So a key objective for The Adecco Group is to inspire talented people to join and grow with us in a high-performing, international, and engaging environment.

The Adecco Group talent framework

To make this objective a reality, in 2016 we introduced a new talent framework built around five elements – Get, Keep, Grow, Enable, Inspire. This framework will help us to ensure that our people at The Adecco Group are the most talented in the workforce solutions industry.

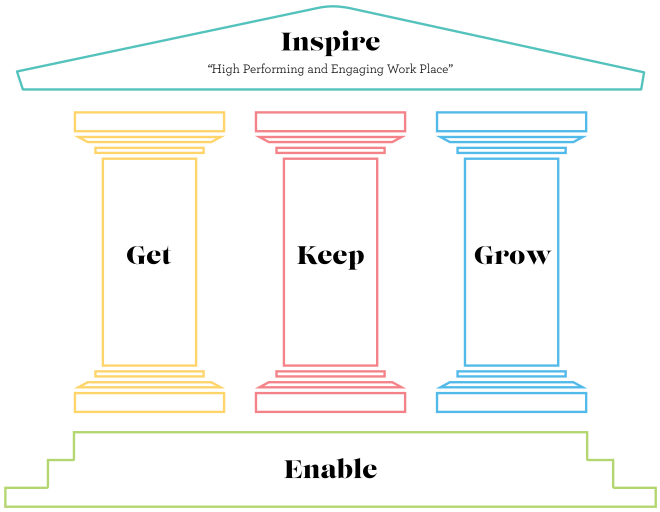
'Get' means attracting diverse and talented people by communicating how they can contribute to our purpose of empowering people, fuelling economies, and enriching societies, while also growing personally and professionally. An important part of our employer brand proposition is our Thought Leadership goal – to guide individuals, companies, governments, and social partners in the changing world of work. To help motivated and driven people to succeed, we use predictive tools to assess which roles in our organisation will best allow them to grow and realise their potential. Metrics we use for monitoring the success of our hiring strategy include the number of open positions and the time taken to fill key vacancies.

Central to 'Keep' is a performance management approach that retains our highly valued people by connecting individual and team needs to a common purpose. In 2016, we strengthened our talent review and succession planning processes, and feedback from colleagues has been very positive. We monitor retention rates for different profiles – tenure, role, leadership and talent pipelines – amongst other indicators to assess progress and improve our performance in this area.

With 'Grow', we want to increase the capability of our people by providing opportunities to develop through valuable work experience, informed career choices, and learning opportunities. We have individual development and career plans based on the well-established principle of 70:20:10. This is the idea that of a person's learning and development, 70% comes from 'on the job' experiences, 20% is added by specific guidance from others (such as mentors and coaches), and 10% is due to behavioural, technical or competency-based training.

The Adecco Academy represents the core of the Group's formal training and development programmes. These cater for a wide variety of employee profiles, and can be grouped under three pillars crucial to succeeding in our industry: leadership, service & sales, and operations. Academy courses cover areas such as service excellence, value-focused selling, innovation and social media, MBA highlights, and presenting with impact. The Adecco Academy also operates a global exchange programme for high performers as well as mentoring and coaching.

It is not enough for us to attract and develop talented people – we also need to allow them to flourish. This is the essence of 'Enable', the foundation of our talent framework. That means providing clear job descriptions, giving people the tools they need to do their jobs, relieving them of unnecessary administrative burdens, and having a rewards strategy that incentivises the right behaviours.



The final element of the talent framework is the magic ingredient – to 'Inspire' our talented people. We create a culture of purpose, performance, opportunities, and recognition by leading through our values and motivating our people. The work we do every day – providing people with opportunities and employment – has a strong inherent purpose. This is reflected in our mission of empowering people, fuelling economies, and enriching society. We build on this purpose by engaging our teams in a wide range of global and local social initiatives, such as Win4Youth, Adecco Way to Work™, and the Adecco Street Day. Over our more than 50-year history, we have built a strong culture in The Adecco Group. At the heart of this culture sit our five core values: Team Spirit, Customer Focus, Passion, Responsibility, and Entrepreneurship. Equally valuable is the importance we place on diversity and equal opportunity for everyone working with or through The Adecco Group. We focus on the talent everybody has and how we can support them in developing that talent and realising their full potential.

Leading in The Adecco Group

In addition to our talent framework, The Adecco Group has a specific competency framework and development programme for our leaders of today and tomorrow. Our aim is to attract and grow leaders who can strategise, steer and motivate, and have an impact with our people, customers, partners, and communities. Leadership competencies include abilities such as strategic planning and judgement, driving financial results and innovation, and learning agility and curiosity; they also cover behaviours such as collaboration, leading teams, and community impact. The Adecco Academy supports the development of leadership talent with two flagship courses run in partnership with some of the best business schools in the world: our Senior Leadership Development Programme delivered by INSEAD and our I3 Leadership Programme delivered by IMD.

"We are really happy to be included in the World's Best Multinational Workplaces listing. We will keep growing our individuals and teams so they can continue to be proud of improving the lives of others through work."

Shanthi Flynn

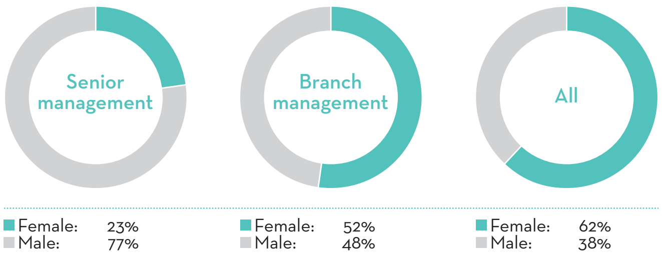
Chief Human Resources Officer

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

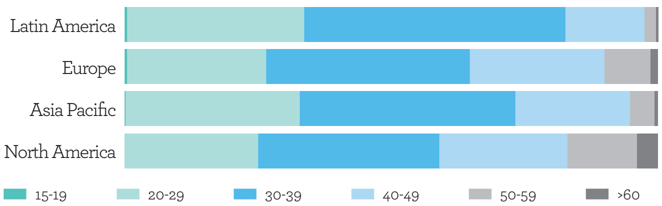
The Great Place to Work® Trust Index© is an employee survey run by an independent US research, consulting and training organisation. The survey measures the level of trust, pride, and camaraderie within workplaces. We have participated in this survey since 2004, expanding the survey to 43 countries and across our global business lines, representing almost 95% of our employees. Through the survey, we are able to measure the engagement levels of our employees year-by-year to understand our strengths and where we have room to improve. Through action plans and sharing across countries, we are able to leverage our best practices across The Adecco Group.

We are proud that The Adecco Group featured in 7th place in the 2016 ranking of the World's Best Multinational Workplaces, out of more than 6,000 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 as a result of its success in appearing in Great Place to Work® Best Company lists in Belgium, Canada, Denmark, Germany, Italy, Luxembourg, Norway, Spain, Sweden, Switzerland, the Netherlands, and the United Kingdom. The Group also ranked 5th in the 2016 Best Workplaces in Europe.

Gender distribution of Adecco Group employees (%)



Age distribution of Adecco Group employees (%)



Retention rate of Adecco Group employees (%)

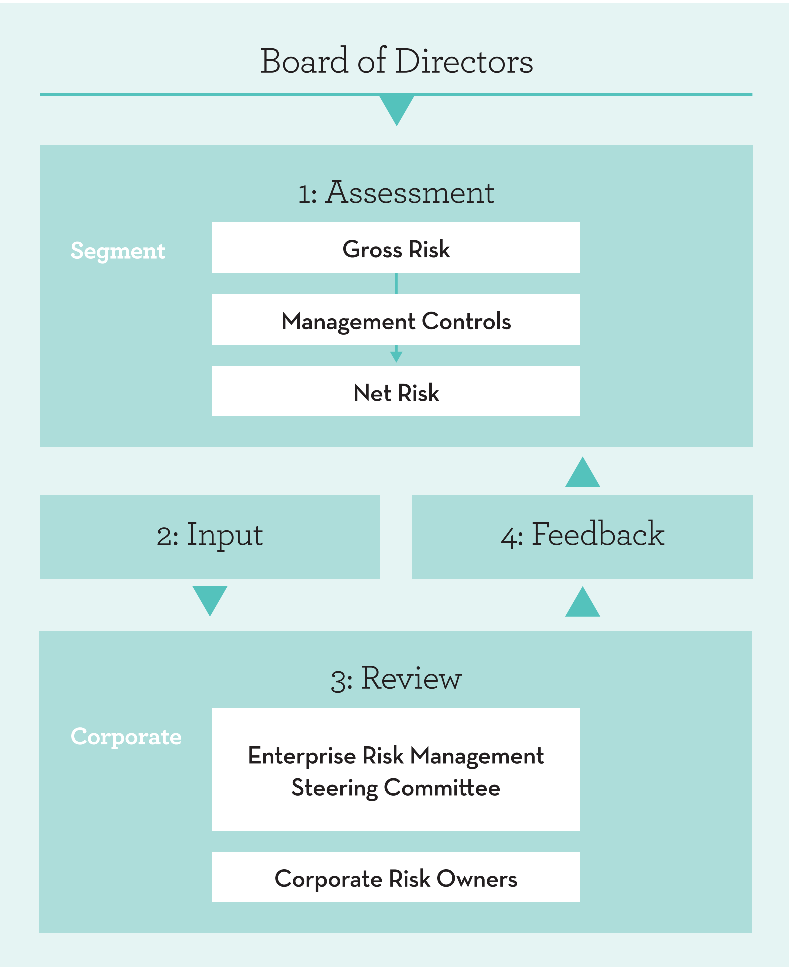
Identify, mitigate & manage

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

Enterprise risk management

An objective, quantitative, 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, it is steered by Group Management, and is overseen and approved by the Board of Directors. The enterprise risk management process comprises two interacting and integrated levels: segment and corporate. All segments perform risk assessments on the risk categories that can have a significant impact on their operations, quantifying both Gross Risk and Net Risk. Gross Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results in the worst-case scenario. Net Risk is an estimate of the likelihood of risk occurrence and the potential impact on the financial results taking into account the risk mitigation effect of management controls. If these controls do not reduce risk to an acceptable level, action plans are established and implemented. The segment assessments are reported to Group management and discussed with the Corporate Risk Owner for each risk category. The Enterprise Risk Management Steering Committee (made up of all Corporate Risk Owners) then evaluates the segment 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 risk. Risks identified at segment and corporate level are treated as opportunities for improvement.

In this sense, the enterprise risk management process is a vital part of daily activities within the organisation. The Group's financial risk management activities are also covered on page 119 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 workforce 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 conduct our client Global Satisfaction Survey. 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 Global Satisfaction Survey, which also addresses associates, 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 personnel, 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 personnel, with valuable operational experience in workforce solutions 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 workforce 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 the World Employment Confederation, the International Confederation of Private Employment Agencies, and of several national associations, which comprise the primary bodies for participation in current public debates. 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 the workforce 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.

Performance

Delivering leading results

in millions, except share and per share information

Delivering leading results

Overview

The Adecco Group delivered a good performance in 2016. Our revenue momentum continued, with organic growth of 4%. Quarter-by-quarter during the year, we closed the revenue growth gap versus our main peers, having lagged since H2 2014. Gross margin declined by 20 basis points ("bps"), as price and mix headwinds were not fully mitigated. We maintained our cost leadership, while investing for the future. With an EBITA margin excluding one-offs of 5.0%, we continued to achieve the highest profitability amongst our industry peers. Markets with especially strong performances in 2016 included: Italy, which further strengthened its market-leading margin and has now doubled EBITA over the last three years; Lee Hecht Harrison, with a fifth consecutive year of organic revenue growth; and Norway, where our performance improvement plan delivered a strong turnaround in revenue growth and profitability.

Our free cash flow of EUR 611 was below the level of the prior year. Underlying performance was solid, with DSO stable at 52 days, but timing of payments had a negative impact on the cash flow this year. During the year we distributed EUR 372 in dividends. 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 our Beeline business with IQNavigator. Net debt ended the year at EUR 887, representing a ratio of 0.7x net debt to EBITDA excluding one-offs. In Q4 2016, we took advantage of favourable conditions in the debt markets to issue EUR 500 of 8-year notes with a 1.00% coupon; at the same time, we bought back EUR 338 nominal value of two existing notes with coupons of 4.75% and 2.75%.

We ended 2016 with good revenue growth momentum. In Q4 2016, revenue growth was 6%, an improvement compared to 3–4% growth achieved in the previous three quarters, all organically and trading days adjusted. Positive momentum continued into January and February 2017, with a growth rate of 4–5%, organically and trading days adjusted. We recognise that the global economic outlook remains uncertain and will adapt to any changes in market conditions, maintaining price discipline and tight cost control.

in EUR millions unless stated	FY 2016	FY 2015	Variance Reported	Variance Organic
Summary of income statement information				
Revenues	**22,708**	22,010	3%	4%
Gross profit	**4,276**	4,179	2%	2%
EBITA excluding one-offs	**1,132**	1,147	(1)%	(1)%
EBITA	**1,096**	1,081	1%	1%
Net income attributable to Adecco Group shareholders	**723**	8	n.m.	
Diluted EPS (EUR)	**4.24**	0.05	n.m.	
Dividend per share[1] (CHF)	**2.40**	2.40	0%	
Gross margin	**18.8%**	19.0%	(20) bps	(40) bps
EBITA margin excluding one-offs	**5.0%**	5.2%	(20) bps	(30) bps
EBITA margin	**4.8%**	4.9%	(10) bps	(20) bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)	**934**	995		
Free cash flow (FCF)	**611**	702		
Net debt	**887**	1,039		
Days sales outstanding	**52**	52		
Cash conversion	**83%**	87%		
Net debt to EBITDA excluding one-offs	**0.7x**	0.8x		

1 Dividend per share for 2016 as proposed by the Board of Directors.

Income Statement

Revenues

Full year 2016 revenues of EUR 22,708 were up 3% year-on-year on a reported basis. Currency fluctuations had a negative impact of approximately 1%, while acquisitions and divestments had a small net positive impact. Organically, revenues increased by 4%.

Revenue growth was broad-based across all service lines. Revenues in temporary staffing were EUR 19,914, up 2% or up 3% organically. This was mainly due to an increase in the temporary staffing volume as temporary hours sold increased by 3% on an organic basis. Permanent placement revenues were EUR 456 in 2016, an increase of 5% or 7% organically. Revenues from career transition amounted to EUR 376 in 2016, an increase of 9% or 4% organically.

Revenues grew organically in most business lines. In General Staffing, revenues grew by 5%, with Industrial and Office both up 5%, all on an organic basis. In Professional Staffing, revenues grew by 3%, comprising an increase of 13% in Medical & Science, 4% in IT, and 3% in Finance & Legal, and a decline of 3% in Engineering & Technical, all on an organic basis. In Solutions, revenues grew by 3%, comprising growth of 2% in Career Transition and Talent Development and 7% in Business Process Outsourcing, all organically.

Gross profit

Gross profit amounted to EUR 4,276, up 2% on a reported basis and organically. The gross margin was 18.8%, down 20 bps compared to 2015. Currency and acquisitions each added 10 bps to gross margin. On an organic basis, the gross margin was down 40 bps. Temporary staffing gross margin was down 40 bps against a strong comparison base, as 2015 benefited from the favourable timing of bank holidays in Germany and also included a favourable impact related to prior years' social security charges in France. The underlying decline in temporary staffing gross margin in 2016 was approximately 30 bps, driven by pricing and mix effects. Career transition and permanent placement had a neutral impact on gross margin compared to 2015.

Gross margin drivers YoY

in basis points	2016	2015
Temporary staffing	(40)	10
Permanent placement	0	10
Career transition	0	0
Other	0	0
Organic	**(40)**	**20**
Acquisitions & divestments	10	10
Currency	10	20
Reported	**(20)**	**50**

Selling, general, and administrative expenses

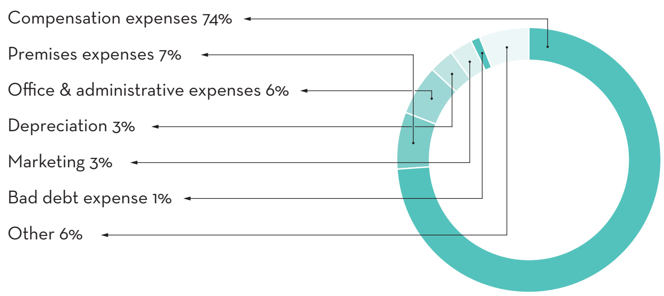
During 2016, the Company maintained its emphasis on cost control. Selling, general, and administrative expenses (SG&A) excluding one-offs were EUR 3,144 in 2016, up 4% organically compared to 2015. SG&A excluding one-offs as a percentage of revenues was 13.8% in 2016, compared to 13.8% in 2015. Reported SG&A in 2016 was EUR 3,180. In 2016, FTE employees increased by 2% organically year-on-year. Compared to 2015, the branch network was flat organically.

In 2016, one-offs comprised restructuring costs totalling EUR 27 (EUR 5 in North America, EUR 13 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). In 2015, one-offs comprised integration costs of EUR 11 (all in Lee Hecht Harrison related to the acquired Knightsbridge business), costs for contractual obligations related to changes in the Executive Committee of EUR 10, and the write-down of capitalised software of EUR 45 (EUR 33 in Corporate and EUR 12 in Japan).

Compensation expenses were EUR 2,346 in 2016, an increase of 5% in constant currency and representing 74% of total SG&A. Marketing expenses were EUR 85 in 2016, compared to EUR 80 in 2015. Bad debt expense increased to EUR 27 in 2016 from EUR 10 in 2015.

SG&A breakdown

FY 2016



EBITA

EBITA excluding one-offs was EUR 1,132 in 2016, down 1% compared to 2015 on both a reported and organic basis. The EBITA margin excluding one-offs was 5.0% in 2016 compared to 5.2% in 2015. This decline is mainly due to the lower gross margin in 2016, in addition to costs for selected investments in the Company's strategic priorities. The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 26.5% in 2016 compared to 27.5% in 2015.

One-offs amounted to EUR 36 in 2016 and EUR 66 in 2015. EBITA was EUR 1,096 in 2016 compared to EUR 1,081 in 2015, an increase of 1% on both a reported and organic basis. The EBITA margin was 4.8% in 2016 and 4.9% in 2015.

Amortisation of intangible assets and impairment of goodwill

Amortisation of intangible assets was EUR 34 compared to EUR 41 in 2015. In 2015 an impairment of goodwill of EUR 740 was recognised in the third quarter.

in millions, except share and per share information

Operating income

Operating income was EUR 1,062 in 2016 compared to EUR 300 in 2015, which was negatively impacted by the impairment of goodwill.

Interest expense and other income/(expenses), net

Interest expense was EUR 59 in 2016 compared to EUR 67 in 2015. 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 2016, other income/(expenses), net amounted to an income of EUR 32, compared to an income of EUR 13 in 2015. 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 310 in 2016 compared to EUR 236 in 2015. 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 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. In 2015, the effective tax rate excluding the impairment of goodwill (which is not tax deductible) was 24%, which included a benefit of 4% from discrete events.

Net income attributable to Adecco Group shareholders and basic EPS

Net income attributable to Adecco Group shareholders was EUR 723 in 2016 compared to EUR 8 in 2015, which included an impairment charge to goodwill of EUR 740. Basic earnings per share (EPS) was EUR 4.24 in 2016 compared to EUR 0.05 in 2015. The increase compared to the prior year reflects the higher net income attributable to Adecco Group shareholders and the lower average number of shares outstanding following the completion in January 2016 of the EUR 250 share buyback programme launched in November 2014.

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	2016	2015
Summary of cash flow information		
Cash flows from operating activities	687	799
Cash used in investing activities	(113)	(246)
Cash used in financing activities	(589)	(114)

Cash flows from operating activities decreased to EUR 687 in 2016 from EUR 799 in 2015. The decrease is mainly due to higher cash outflows in 2016 for interest, tax and other liabilities. DSO was 52 days for the full year 2016 compared to 52 days for the full year 2015. Both years include the cash proceeds for the sale of a portion of the CICE receivables of EUR 169 in 2016 and EUR 163 in 2015.

Cash used in investing activities totalled EUR 113 compared to EUR 246 in 2015. In 2016, cash settlements on derivative instruments was an inflow of EUR 63 compared to an outflow of EUR 94 in 2015. Capital expenditures amounted to EUR 76 in 2016 and EUR 97 in 2015. 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 our Beeline business with IQNavigator. In 2015 the Company acquired Knightsbridge for EUR 56, net of cash acquired.

Cash used in financing activities totalled EUR 589, compared to EUR 114 in 2015. 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. In 2015 the Company issued long-term debt of EUR 498, net of issuance costs. The Company paid dividends of EUR 372 and EUR 348 in 2016 and 2015, respectively, and purchased treasury shares for EUR 20 and EUR 225 in 2016 and 2015, respectively.

Net debt

Net debt decreased by EUR 152 to EUR 887 as of 31 December 2016. At 31 December 2016, the ratio of net debt to EBITDA excluding one-offs was 0.7x, compared to 0.8x at 31 December 2015. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP.

in EUR	2016	2015[1]
Net debt		
Short-term debt and current maturities of long-term debt	345	354
Long-term debt, less current maturities	1,670	1,832
Total debt	2,015	2,186
Less:		
Cash and cash equivalents	1,123	1,137
Short-term investments	5	10
Net debt	887	1,039

1 Certain reclassifications have been made to prior year amounts or balances in order to conform to the current year presentation.

In Q4 2016, the Company took advantage of favourable conditions in the debt markets to issue EUR 500 of 8-year notes with a 1.00% coupon. At the same time, the Company bought back EUR 338 nominal value of two existing notes, buying back EUR 152 nominal value of 4.75% notes due 13 April 2018 and EUR 186 nominal value of 2.75% notes due 15 November 2019.

Planned cash outflows in 2017 include distribution of dividends for 2016 in the amount of CHF 2.40 per share. The maximum amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) as of 31 December 2016 of 170,346,804 is CHF 409. Payment of dividends is subject to approval by shareholders at the Annual General Meeting.

Segment performance

Effective 1 January 2016, the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. Switzerland, previously considered its own segment, is now part of Germany, Austria, Switzerland; Benelux & Nordics, previously considered two separate segments, were combined; and the Rest of World segments include Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India segments. Prior year information has been restated to conform to the current year presentation.

France

In 2016, revenues in France increased by 5% to EUR 4,947. During the year, revenue growth accelerated from 4% in H1 to 9% in Q4 (both trading days adjusted), the highest level for more than five years. Temporary staffing revenues in France grew by 5% and permanent placement revenues were up 19%.

Revenues increased by 5% in General Staffing, which accounts for over 90% of revenues, and by 9% in Professional Staffing. Revenue growth was strong in construction and logistics and very strong in automotive. The segmentation strategy continues to gain traction, with strong growth in the small customer segment and in On-sites.

EBITA amounted to EUR 321 in 2016 compared to EUR 331 in 2015. The EBITA margin was 6.5% in 2016, which included favourable items that added approximately 20 bps to the EBITA margin. In 2015, the EBITA margin was 7.0%, which included favourable items that added approximately 40 bps to the EBITA margin.

North America

Revenues in North America were EUR 4,672 in 2016, flat compared to the prior year on both a reported and an organic basis. Continuing the development of 2015, organic revenue growth weakened during the first half of 2016, with a decline of 1% in Q2 and Q3. In Q4 North America returned to growth of 1%, organically and trading days adjusted. In 2016, temporary staffing revenues were down 1% while permanent placement revenues were up 3%, both organically.

In 2016, General Staffing and Professional Staffing each represented approximately 50% of revenues. Revenues declined by 2% in General Staffing and increased by 1% in Professional Staffing, both organically. Within Professional Staffing, revenues decreased by 3% in IT and by 6% in Engineering & Technical, and increased by 6% in Finance & Legal and by 20% in Medical & Science, all on an organic basis.

In 2016, EBITA excluding one-offs was EUR 288. EBITA of EUR 283 included restructuring costs of EUR 5 for restructuring in corporate functions and the optimisation of the branch network. In 2015, EBITA was EUR 288. The EBITA margin excluding one-offs was 6.2% in 2016, compared to an EBITA margin of 6.2% in 2015.

UK & Ireland

In 2016, revenues in the UK & Ireland decreased by 5% to EUR 2,176. Currency fluctuations had a negative impact of approximately 11%, while the acquisition of Penna had a positive impact of 3%. Overall, revenues increased by 3% organically, with temporary staffing up 3% and permanent placement down 3%, both organically. A loss of client and candidate confidence following the outcome of the EU Referendum had a significant negative impact on the permanent placement business in H2 2016, with revenues down 3% in Q3 and down 15% in Q4, both organically.

Approximately 60% of revenues came from Professional Staffing, which decreased by 1% organically. Revenues increased by 1% organically in IT and decreased by 9% organically in Finance & Legal, the latter negatively impacted in H2 by the outcome of the EU Referendum. General Staffing revenues were up 11% organically, driven by strong client wins.

EBITA in 2016 amounted to EUR 47 compared to EUR 60 for the prior year. The EBITA margin was 2.2% in 2016 compared to 2.6% in 2015. Profitability in 2016 was negatively impacted by new contracts won during the year and by the weaker market conditions in permanent placement in the second half of the year.

Germany, Austria, Switzerland

In Germany, Austria, Switzerland, revenues were EUR 2,175 in 2016, flat organically and a decrease of 1% on a reported basis, as currency fluctuations had a small negative impact on revenues. Revenues in General Staffing, which accounted for approximately 85% of the total in Germany, Austria, Switzerland, decreased by 1%, while revenues in Professional Staffing grew by 3%, both organically.

In 2016, EBITA excluding one-offs amounted to EUR 114. EBITA of EUR 101 included restructuring costs of EUR 13 to optimise our central functions and branch network in Germany. In 2015, EBITA was EUR 135. The EBITA margin excluding one-offs was 5.2% in 2016 compared to an EBITA margin of 6.2% in 2015. The decline was impacted by the less favourable timing of bank holidays in 2016 compared to 2015.

Benelux & Nordics

In 2016, revenues in Benelux & Nordics increased by 5% to EUR 1,897. Currency fluctuations had a small negative impact on revenues, while acquisitions had a positive impact of 1%. Organically, revenues increased by 4%. In Benelux, revenues increased by 2%. Revenue development was above-market in Belgium with broad-based growth, while in the Netherlands price discipline negatively impacted growth in a competitive market. In Nordics, revenues were up 6% organically, with good growth in all countries.

In 2016, EBITA excluding one-offs amounted to EUR 73. EBITA of EUR 69 included restructuring costs of EUR 4 in the Netherlands. The 2016 EBITA margin excluding one-offs was 3.9%. In 2015, the EBITA margin was 3.1% and included a non-cash expense related to changing the defined benefit pension plan in the Netherlands to a defined contribution pension plan, which negatively impacted the EBITA margin for Benelux and Nordics by approximately 40 bps.

Italy

Revenues in Italy increased by 13% in 2016 to EUR 1,464. During the year, revenue growth accelerated from 8% in H1 to 24% in Q4, both trading days adjusted. Revenue growth was strong across all major sectors, including manufacturing, automotive, and chemicals.

EBITA in 2016 was EUR 114 compared to EUR 94 in the previous year. The EBITA margin was 7.8% in 2016, up 60 bps compared to 2015.

in millions, except share and per share information

Japan

In Japan, revenues in 2016 were EUR 1,276, an increase of 14% or 2% organically. Revenues grew organically by 3% in temporary staffing and by 11% in permanent placement, but declined by 1% organically in outsourcing, due to the non-recurrence of a large outsourcing contract in Q4 2015. In General Staffing, revenues were flat organically. In Professional Staffing, which represents 25% of revenues and comprises IT and Engineering & Technical, revenues increased by 11% organically.

In 2016, EBITA was EUR 84. In 2015, EBITA excluding one-offs was EUR 66. EBITA in 2015 was EUR 54 and included the write-down of capitalised software of EUR 12. The EBITA margin was 6.6% in 2016, compared to the EBITA margin excluding one-offs of 5.9% in 2015.

Iberia

Revenues in Iberia were EUR 979 in 2016, an increase of 9% compared to the previous year. Revenues increased by 12% in temporary staffing and by 1% in outsourcing compared to 2015, due to lower activities levels in outsourcing within the telecommunications sector.

EBITA in 2016 was EUR 42 compared to EUR 39 in 2015. The EBITA margin was 4.3% in 2016 compared to 4.4% in 2015, negatively impacted by the development of the outsourcing business in 2016.

Rest of World

In 2016, revenues in Rest of World increased by 3% to EUR 2,690. Revenues were negatively impacted by 7% due to currency fluctuations and by 1% due to the divestment of the Company's activities in Russia, Ukraine, and Venezuela. Revenues increased by 11% organically, with Australia & New Zealand up 8%, Latin America up 10%, Eastern Europe & MENA up 14%, Asia up 8%, and India up 19%.

In 2016, EBITA excluding one-offs was EUR 74. EBITA of EUR 69 included a charge of EUR 5 in Australia for cost optimisation measures. In 2015, EBITA was EUR 82. The EBITA margin excluding one-offs was 2.7% in 2016, compared to the EBITA margin of 3.1% in 2015.

Lee Hecht Harrison

Lee Hecht Harrison is The Adecco Group's Career Transition & Talent Development business. Revenues in 2016 amounted to EUR 432, an increase of 9%. Currency fluctuations had a negative impact of 1%, while the acquisition of Penna added 8% to revenues. Organically, revenues increased by 2%.

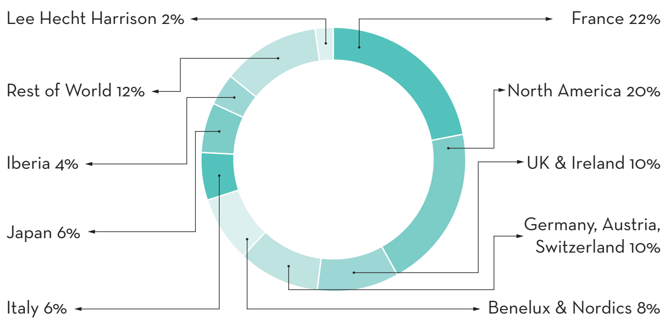
EBITA excluding one-offs was EUR 120 in 2016 compared to EUR 115 in 2015. In 2016, EBITA of EUR 111 included integration costs of EUR 9 related to the acquisition of Penna in May 2016. In 2015, EBITA of EUR 104 included integration costs of EUR 11 related to the acquisition of Knightsbridge in April 2015. The EBITA margin excluding integration costs was 27.7% in 2016 compared to 28.9% in 2015, with the decline driven by the mix impact from the consolidation of Penna.

Outlook

In Q4 2016, revenue growth was 6%, an improvement compared to 3–4% growth achieved in the previous three quarters, all organically and trading days adjusted. Positive momentum continued into January and February 2017, with a growth rate of 4–5%, organically and trading days adjusted. We recognise that the global economic outlook remains uncertain and will adapt to any changes in market conditions, maintaining price discipline and tight cost control.

The Company remains committed to balancing revenue growth, profitability and cash generation. The Group's financial targets, to be achieved on average across an entire economic cycle, including periods of economic expansion and recession, are: growing revenues organically at least in line with its main peers, at Group level and in each major market; improving its EBITA margin to 4.5-5.0% on average through-the-cycle; and delivering an operating cash flow conversion of more than 90% on average through-the-cycle.

2016 revenue split by segment



Temporary staffing organic variance YoY by segment

	Organic variance		
	Hours sold	Bill rate	Revenues
France	5%	0%	5%
North America	(4)%	3%	(1)%
UK & Ireland	5%	(2)%	3%
Germany, Austria, Switzerland	(2)%	2%	(1)%
Benelux & Nordics	3%	1%	4%
Italy	10%	(1)%	9%
Japan	0%	2%	3%
Iberia	11%	2%	12%
Rest of World	3%	4%	7%
Adecco Group	3%	1%	3%

Revenues by segment

	Revenues in EUR		Variance				% of total revenues	
	2016	2015	EUR	Constant currency	Organic	Organic TDA[1]	2016	2015
France	**4,947**	4,714	5%	5%	5%	5%	**22%**	22%
North America	**4,672**	4,670	0%	0%	0%	0%	**20%**	21%
UK & Ireland	**2,176**	2,285	(5)%	6%	3%	3%	**10%**	10%
Germany, Austria, Switzerland	**2,175**	2,190	(1)%	0%	0%	0%	**10%**	10%
Benelux & Nordics	**1,897**	1,815	5%	5%	4%	4%	**8%**	8%
Italy	**1,464**	1,300	13%	13%	13%	14%	**6%**	6%
Japan	**1,276**	1,119	14%	2%	2%	2%	**6%**	5%
Iberia	**979**	898	9%	9%	9%	9%	**4%**	4%
Rest of World	**2,690**	2,623	3%	10%	11%	11%	**12%**	12%
Lee Hecht Harrison	**432**	396	9%	10%	2%	2%	**2%**	2%
Adecco Group	**22,708**	22,010	3%	5%	4%	4%	**100%**	100%

1 TDA = trading days adjusted

Organic revenue variance YoY, trading days adjusted

	2016				
	Q1	Q2	Q3	Q4	FY
France	5%	3%	3%	9%	5%
North America	0%	(1)%	(1)%	1%	0%
UK & Ireland	1%	3%	4%	5%	3%
Germany, Austria, Switzerland	(1)%	(2)%	(2)%	3%	0%
Benelux & Nordics	6%	2%	2%	4%	4%
Italy	9%	7%	14%	24%	14%
Japan	1%	4%	2%	0%	2%
Iberia	10%	6%	9%	12%	9%
Rest of World	13%	10%	10%	11%	11%
Lee Hecht Harrison	1%	0%	5%	2%	2%
Adecco Group	**4%**	**3%**	**4%**	**6%**	**4%**

The Adecco Group in the market context, 2016

	Adecco Group		Market		Adecco Group	
	Revenues EUR millions	Organic variance	Revenues EUR billions	Variance in constant currency	Market Share	Market Position
France	4,947	5%	23	7%	21%	1
North America	4,672	0%	131	4%	4%	3
UK & Ireland	2,176	3%	42	5%	5%	1
Germany, Austria, Switzerland	2,175	0%	36	3%	6%	2
Benelux & Nordics	1,897	4%	30	8%	6%	3
Italy	1,464	13%	8	7%	17%	1
Japan	1,276	2%	92	4%	1%	4
Iberia	979	9%	5	8%	19%	2
Rest of World	2,690	11%	66	7%	4%	2
Lee Hecht Harrison	432	2%	9	0%	5%	1
Adecco Group	**22,708**	**4%**	**442**	**5%**	**5%**	**1**

in millions, except share and per share information

Revenues by business line[1]

	Revenues in EUR		Variance			% of total revenues	
	2016	2015	EUR	Constant currency	Organic	2016	2015
Office	5,500	5,269	4%	6%	5%	**24%**	24%
Industrial	11,492	11,097	4%	5%	5%	**51%**	50%
General Staffing	**16,992**	16,366	4%	5%	5%	**75%**	74%
Information Technology	2,570	2,588	(1)%	4%	4%	**11%**	12%
Engineering & Technical	1,100	1,133	(3)%	(3)%	(3)%	**5%**	5%
Finance & Legal	932	912	2%	4%	3%	**4%**	4%
Medical & Science	461	407	13%	13%	13%	**2%**	2%
Professional Staffing	**5,063**	5,040	0%	3%	3%	**22%**	23%
CTTD	432	396	9%	10%	2%	**2%**	2%
BPO	221	208	6%	7%	7%	**1%**	1%
Solutions	**653**	604	8%	9%	3%	**3%**	3%
Adecco Group	**22,708**	22,010	3%	5%	4%	**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 Vendor Management System (VMS). VMS was included in BPO until it was deconsolidated in December 2016 following the merger of Beeline with IQNavigator.

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

	EBITA excluding one-offs		One-offs		EBITA	
in EUR	2016	2015	2016	2015	2016	2015
France	**321**	331			**321**	331
North America	**288**	288	**(5)**		**283**	288
UK & Ireland	**47**	60			**47**	60
Germany, Austria, Switzerland	**114**	135	**(13)**		**101**	135
Benelux & Nordics	**73**	56	**(4)**		**69**	56
Italy	**114**	94			**114**	94
Japan	**84**	66		(12)	**84**	54
Iberia	**42**	39			**42**	39
Rest of World	**74**	82	**(5)**		**69**	82
Lee Hecht Harrison	**120**	115	**(9)**	(11)	**111**	104
Corporate	**(145)**	(119)		(43)	**(145)**	(162)
Adecco Group	**1,132**	1,147	**(36)**	(66)	**1,096**	1,081

EBITA and EBITA margin excluding one-offs by segment

	EBITA excluding one-offs in EUR				EBITA margin excluding one-offs		
			Variance				Variance
	2016	2015	EUR	Constant currency	2016	2015	EUR
France	**321**	331	(3)%	(3)%	**6.5%**	7.0%	(50) bps
North America	**288**	288	0%	0%	**6.2%**	6.2%	0 bps
UK & Ireland	**47**	60	(22)%	(12)%	**2.2%**	2.6%	(40) bps
Germany, Austria, Switzerland	**114**	135	(16)%	(16)%	**5.2%**	6.2%	(100) bps
Benelux & Nordics	**73**	56	29%	29%	**3.9%**	3.1%	80 bps
Italy	**114**	94	22%	22%	**7.8%**	7.2%	60 bps
Japan	**84**	66	26%	13%	**6.6%**	5.9%	70 bps
Iberia	**42**	39	8%	8%	**4.3%**	4.4%	(10) bps
Rest of World	**74**	82	(10)%	2%	**2.7%**	3.1%	(40) bps
Lee Hecht Harrison	**120**	115	5%	5%	**27.7%**	28.9%	(120) bps
Corporate	**(145)**	(119)					
Adecco Group	1,132	1,147	(1)%	(1)%	**5.0%**	5.2%	(20) bps

EBITA and EBITA margin by segment

	EBITA in EUR				EBITA margin		
			Variance				Variance
	2016	2015	EUR	Constant currency	2016	2015	EUR
France	**321**	331	(3)%	(3)%	**6.5%**	7.0%	(50) bps
North America	**283**	288	(2)%	(2)%	**6.1%**	6.2%	(10) bps
UK & Ireland	**47**	60	(22)%	(12)%	**2.2%**	2.6%	(40) bps
Germany, Austria, Switzerland	**101**	135	(25)%	(25)%	**4.6%**	6.2%	(160) bps
Benelux & Nordics	**69**	56	22%	22%	**3.6%**	3.1%	50 bps
Italy	**114**	94	22%	22%	**7.8%**	7.2%	60 bps
Japan	**84**	54	54%	37%	**6.6%**	4.9%	170 bps
Iberia	**42**	39	8%	8%	**4.3%**	4.4%	(10) bps
Rest of World	**69**	82	(16)%	(4)%	**2.6%**	3.1%	(50) bps
Lee Hecht Harrison	**111**	104	7%	7%	**25.6%**	26.2%	(60) bps
Corporate	**(145)**	(162)					
Adecco Group	1,096	1,081	1%	2%	**4.8%**	4.9%	(10) bps

in millions, except share and per share information

FTE employees and branches by segment

	FTE employees				Branches			
			Variance				Variance	
	2016	2015	Reported	Organic	2016	2015	Reported	Organic
France	**4,839**	4,648	4%	4%	**1,062**	1,021	4%	4%
North America	**7,247**	7,092	2%	1%	**839**	850	(1)%	(2)%
UK & Ireland	**2,755**	2,619	5%	0%	**356**	352	1%	1%
Germany, Austria, Switzerland	**2,654**	2,678	(1)%	(1)%	**462**	505	(9)%	(9)%
Benelux & Nordics	**2,425**	2,383	2%	1%	**508**	519	(2)%	(3)%
Italy	**1,737**	1,615	8%	8%	**381**	376	1%	1%
Japan	**1,974**	1,809	9%	9%	**141**	141	(1)%	(1)%
Iberia	**1,616**	1,531	6%	6%	**390**	384	2%	2%
Rest of World	**5,741**	5,634	2%	3%	**686**	686	0%	1%
Lee Hecht Harrison	**1,995**	1,868	7%	(2)%	**293**	275	7%	1%
Corporate	**408**	389	5%	5%				
Adecco Group	**33,391**	32,266	3%	2%	**5,118**	5,109	0%	0%

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 Corporate Governance 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 of 31 December 2016. 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 of 31 December 2016, 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 of 15 March 2017, 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 2016

We formally communicate our financial performance in our comprehensive quarterly results, which management discusses with the financial community 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 http://ir.adeccogroup.com. 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 2016, this began in January with an Investor Day in Zurich, at which our CEO and CFO shared their insights and actions in the first 100 days in their roles, presented the Group's updated strategic priorities, and set new 'through-the-cycle' financial targets to drive long-term value creation. During the year, we devoted a further 47 days to market communication, often following our quarterly results releases or when participating in broker conferences. In total, we met with approximately 500 investors during the year.

Analyst coverage

The Adecco Group's development is closely monitored by the financial community. Currently 23 brokers actively cover the Group, maintaining regular contact with management and the Investor Relations team. They comprise ABN Amro, Bank am Bellevue, Bank of America Merrill Lynch, Bank Vontobel, Barclays Capital, Citigroup, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, Helvea-Baader Bank Group, HSBC, Intermonte, Jefferies, J.P. Morgan, Kepler Chevreux, MainFirst, Mirabaud, Morgan Stanley, Redburn, Royal Bank of Canada, UBS, and Zürcher Kantonalbank.

At the start of 2016, 44% of the analysts recommended buying shares in The Adecco Group, 39% had a neutral view, and 17% recommended selling the shares. The year 2016 ended with 41% of the analysts having a buy recommendation, 41% being neutral, and 18% 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 47% of the issued and outstanding share capital as of year end 2016. European institutional investors had increased their holdings in The Adecco Group to 44% of shares issued at the end of 2016, compared to 42% at the end of 2015 and 36% at the end of 2014. The percentage held by North American institutions decreased by 2% to 28%. At the Annual General Meeting 2016, the cancellation of 3,318,750 shares of The Adecco Group, representing 1.9% of total shares, was approved and was correspondingly executed in July. The number of shares in issue was therefore reduced to 171,156,187 shares.

Shareholder concentration

as of year end 2016	in % of shares issued
Top 5 investors	18%
Rest of top 10 investors	12%
Rest of top 20 investors	17%
Rest of top 50 investors	18%
Others	35%

Shareholder structure

as of year end, in % of shares issued	2016	2015
Institutional		
• Europe	44%	42%
• North America	28%	30%
• Rest of World	5%	4%
Retail	12%	12%
Insider and Treasury	1%	2%
Unassigned	10%	10%

Share performance report

In 2016, The Adecco Group share price was down 3%, outperforming the SMI by 4% and a basket of our key competitors[1] by 1%. The relatively small change over the full 12-month period does not, however, tell the whole story of the year of two halves. The Adecco Group shares closed on 31 December 2015 at CHF 68.90, and made their high for 2016 on the second day of trading on 5 January 2016, at CHF 67.90. Thereafter, the shares declined sharply in January and early February in the broad-based market sell-off due to concerns over the economic outlook in China. The shares then partially recovered during March and April. This was followed by another decline during the period of equity market weakness in May and early June, and then a sharp fall in late June triggered by the outcome of the EU Referendum in the UK. In the immediate aftermath of the vote, The Adecco Group share price hit its low for the year of CHF 45.01 on 6 July 2016.

In the second half of 2016, the shares were buoyed by solid financial results for Q2 and Q3, and the recovery in equity markets, especially following the outcome of the US Presidential election in November. By the end of the year, the shares had recovered almost all of the first half losses, closing the year at CHF 66.65. This represents a share price performance of -3% or a total shareholder return (TSR) of -1%, when measured in Swiss Francs; the TSR for the year was 2% when translated into Euros. The Adecco Group's market capitalisation, based on issued shares, was CHF 11.4 billion at the end of 2016, compared with CHF 12.0 billion at the end of 2015.

Adecco Group share price 2016 in CHF

Share price performance comparison 2016 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 2016, a dividend of CHF 2.40 will be proposed to shareholders at the next Annual General Meeting on 20 April 2017. This is in line with the prior year and represents a pay-out ratio of 50% of 2016 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 excess capital will be returned to shareholders. The Adecco Group has previously undertaken capital returns by way of three 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 on January 20, 2016).

At 31 December 2016, net debt reduced to EUR 887 million, driven by solid cash flow generation and supported by the EUR 72 million of net proceeds received related to the merger of our Beeline business with IQNavigator. The ratio of net debt to EBITDA excluding one-offs reduced to 0.7x at year end. Given this position, the Board of Directors decided to launch in March 2017 a share buyback programme of up to EUR 300 million.

Share valuation data

	2016	2015	2014	2013	2012
Valuation metrics					
P/E ratio	**14.8**	n.m.	15.8	18.7	19.9
EV/EBITA ratio	**10.5**	11.1	11.9	14.4	11.5
Dividend yield	**3.6%**	3.5%	3.1%	2.8%	3.7%
Share price (CHF)					
Year end	**66.65**	68.90	68.85	70.60	48.04
Year high	**67.90**	83.60	78.60	70.60	47.18
Year low	**45.01**	59.35	58.85	47.72	36.33
Total Shareholder Return					
TSR in CHF	**(0.9)%**	2.9%	0.2%	52.3%	27.7%
TSR in EUR	**1.5%**	13.4%	1.8%	51.0%	28.8%
In CHF millions					
Market capitalisation[2]	**11,408**	12,021	12,330	13,362	9,092
Enterprise value[3]	**12,357**	13,154	13,495	14,704	10,262
In EUR millions[4]					
Market capitalisation[2]	**10,662**	11,028	10,275	10,863	7,514
Enterprise value[3]	**11,549**	12,067	11,246	11,954	8,481

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 2016: 1.07; 2015: 1.09; 2014: 1.20; 2013: 1.23; 2012: 1.21.

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 1 January 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 Chairman, 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 Sägereistrasse 10, 8152 Opfikon, Switzerland.

Adecco Group AG is listed on the SIX Swiss Exchange (symbol ADEN, security number 1213860; ISIN CH0012138605). As of 31 December 2016, 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 11.4 billion. On 6 March 2017, 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 corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America; UK & Ireland; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Lee Hecht Harrison; and the Rest of World segments (that comprises Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; 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 Vendor Management System (VMS). BPO included 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. From 1 April 2017, the Company's operations in North America and UK & Ireland will be combined and managed according to the business lines General Staffing and Professional Staffing.

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

As of 31 December 2016, 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;
- Robert P. (Bob) Crouch, Regional Head of North America until 31 March 2017;
- John L. Marshall III, Regional Head of UK & Ireland until 31 March 2017, as of 1 April 2017 Regional Head of North America, UK & Ireland Professional Staffing;
- Franz-Josef Schürmann, Regional Head of Germany, Austria, Switzerland;
- Christophe Duchatellier, Regional Head of Asia Pacific;
- Mark De Smedt, Regional Head of Northern Europe;
- Sergio Picarelli, Regional Head of Italy, Eastern Europe & MENA and India;
- Enrique Sanchez, Regional Head of Iberia & Latin America;
- Federico Vione, Chief Sales & Innovation Officer until 31 March 2017, as of 1 April 2017 Regional Head of North America, UK & Ireland General Staffing;
- Shanthi Flynn, Chief Human Resources Officer;
- Stephan Howeg, Chief Marketing & Communications Officer.

The Company comprises numerous legal entities around the world. The Major consolidated subsidiaries of The Adecco Group are listed on page 132 of this Annual Report. No subsidiary has shares listed on a stock exchange.

1.2 Significant shareholders

As of 31 December 2016, the total number of shareholders directly registered with Adecco Group AG was approximately 16,000; 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 and may have changed in the meantime.

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

https://six-exchange-regulation.com/en/home/publications/significant-shareholders.html

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
Akila Finance S.A.	**28.05.2014**	**4.31% equity, 0.26% sale positions[1,2]**
Artisan	**19.01.2016**	**Falling below threshold of 3%**
Group BlackRock Inc.	**20.07.2016**	**4.99% purchase positions, 0.22% sale positions**
	16.07.2016	5.06% purchase positions, 0.21% sale positions
	24.03.2016	5.22% purchase positions, 0.01% sale positions
	18.03.2016	5.06% purchase positions, 0.03% sale positions
Invesco Limited	**13.07.2016**	**Falling below threshold of 3%**
MFS Investment Management	**02.02.2017**	**Falling below threshold of 3%**
	01.10.2014	3.15% equity
The Capital Group Companies, Inc.	**02.11.2016**	**3.001% equity**
	25.10.2016	Falling below threshold of 3%

1 Beneficial owners have been disclosed.

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

As of 31 December 2016, 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 above mentioned 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 2016, 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 21 April 2016, the Company's shareholders approved the cancellation of 3,318,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,318,750 registered shares with a nominal value of CHF 1 each. The cancellation of 3,318,750 treasury shares was completed on 4 July 2016. Effective 4 July 2016 the share capital of the Company amounts to CHF 171,156,187 divided into 171,156,187 shares.

As of 31 December 2016, Adecco Group AG's share capital registered with the Commercial Register amounted to CHF 171,156,187 divided into 171,156,187 fully paid up registered shares with a nominal value of CHF 1 each.

2.2 Authorised and conditional capital

Adecco Group AG has no authorised capital in the sense of the Swiss Code of Obligations.

The conditional capital of CHF 4,166,804 divided into 4,166,804 registered shares with a nominal value of CHF 1 each is 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 subscription rights of shareholders as well as the preferential option subscription rights of the shareholders are excluded. No options were outstanding as of 31 December 2016.

The conditional capital of CHF 15,400,000 divided into 15,400,000 registered shares with a nominal value of CHF 1 each is 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 conditional capital, refer to Art. 3^{ter} 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 and conditional capital structure as of the dates indicated below was as follows:

	Issued shares		Conditional capital	
in CHF millions, except shares	Shares	Amount	Shares	Amount
1 January 2014	**189,263,506**	**189.3**	**19,566,804**	**19.6**
Share cancellation	(10,181,696)	(10.2)		
31 December 2014	**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**

2.4 Shares and participation certificates

Adecco Group AG shares have a par value of CHF 1 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 2016, 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 2016, 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 2016, the Board of Adecco Group AG consisted of nine members. All members qualify as independent and non-executive members (see below 3.2).

Rolf Dörig
Chairman

Thomas O'Neill CGC NCC
Vice-Chairman

Dominique-Jean Chertier AC

Jean-Christophe Deslarzes AC NCC

Alexander Gut NCC AC
Chairman of NCC

Didier Lamouche CGC

David Prince AC CGC
Chairman of AC

Wanda Rapaczynski CGC NCC
Chairwoman of CGC

Kathleen Taylor AC

AC Audit Committee
CGC Corporate Governance Committee
NCC Nomination & 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 2016:

Rolf Dörig

- Swiss national, born 1957. Rolf Dörig has been Chairman since January 2009 and a member of the Board of Directors since May 2007. He has served on the Nomination & Compensation and the Corporate Governance Committees.
- 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 Walter Frey Holding AG, all in Switzerland, and member of the Supervisory Board of Danzer Holding AG in Austria. Furthermore, Rolf Dörig was a member of the Board Committee of economiesuisse, Switzerland, until August 2014.

Thomas O'Neill

- Canadian national, born 1945. Thomas O'Neill has served as Vice-Chairman of the Board of Directors from January 2009 to December 2011 and again since April 2015. He has been a member of the Board of Directors since June 2004 and in previous terms has served on various committees. He is currently a member of the Nomination & Compensation and Corporate Governance Committees.
- Thomas O'Neill graduated with a Bachelor of Commerce degree from Queen's University in Kingston, Ontario, Canada. He obtained his designation as FCA in 1988. In 2005, he was granted an honorary doctorate degree in law (LL.D.) by Queen's University, Kingston, Canada.
- Thomas O'Neill joined the audit staff of Price Waterhouse in Toronto in 1967, and became a partner in 1978. Until his departure in 2002, he held various leadership positions in both the Canadian firm (Toronto) and in the global firm (New York), including the position of CEO and Chairman of PwC Consulting (global). Thomas O'Neill was a member of the Board of Dofasco Inc., Canada, from May 2003 to February 2006, of the Ontario Teachers' Pension Plan from January 2003 until April 2007, and of Nexen Inc. from December 2002 to February 2013. Thomas O'Neill was Vice-Chairman of Queen's University, Kingston, Ontario, (Canada) from 2004 to 2006, and a member of the International Monetary Fund's External Audit Committee (from January 2008 until November 2010).
- Thomas O'Neill is Chairman of the Bank of Nova Scotia (Scotiabank)[1] and is a member of the Board of Loblaw Companies Ltd[1], both in Canada. He was Chairman of the Board of BCE Inc.[1], Canada, until April 2016.
- Furthermore, he is Chairman of the Board of Trustees of St. Michael's Hospital, Canada.

1 Listed company.

Dominique-Jean Chertier

- French national, born 1950. Dominique-Jean Chertier has been a member of the Board of Directors and a member of the Audit Committee since April 2012.
- Dominique-Jean Chertier obtained a doctorate degree (arts) from Sorbonne University, France.
- From 1992 to 2002, he held the position of Chief Executive Officer at Unedic (French Unemployment Insurance). From 2002 to 2003, he was Social Advisor to the French Prime Minister. Dominique-Jean Chertier was Executive Vice President of Safran Group, France, from 2003 to 2011. From 2011 to June 2013, he was Deputy CEO of Safran Group, France. From July 2013 to June 2014, he was Senior Advisor to the Chairman of Safran Group, France. Since July 2014, he has been president of Luskan, France.
- Dominique-Jean Chertier has been a member of the Board of Directors of Air France since 2004 and since July 2016, he has been Chairman of its Flight Safety Committee and a member of its Audit Committee. He was Chairman of POLE EMPLOI (French employment and unemployment national agency) from 2008 to 2011.

Jean-Christophe Deslarzes

- Swiss national, born 1963. Jean-Christophe Deslarzes has been a member of the Board of Directors and a member of the Audit Committee since April 2015 and of the Nomination & 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 Organization 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], Switzerland.

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 is currently Chairman of the Nomination & Compensation Committee and a member of the Audit Committee.
- 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 LafargeHolcim AG[1], 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 and a member of the Corporate Governance Committee since April 2011.
- Didier Lamouche obtained a PhD in semiconductor technology from Ecole Centrale de Lyon, France.
- He was CEO of Altis Semiconductor. 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 Oberthur Technologies, France.
- Didier Lamouche has held numerous mandates as non-executive director at boards of various listed and non-listed companies.

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 is currently Chairman of the Audit Committee and a member of the Corporate Governance Committee.
- 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 served as Chairwoman of the Corporate Governance Committee since April 2011 (member since May 2008) and as a member of the Nomination & Compensation Committee since April 2011.
- 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

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.
- 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 member of the Board of the Royal Bank 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.

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 2016, all members of the Board were independent and non-executive, none of them (i) having been in an executive function with The Adecco Group 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 five to nine 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 General Meeting of Shareholders.

The AGM elects individually the members of the Board, its Chairman and the members of its compensation committee. The compensation committee has been assigned with a number of tasks in the field of nomination by the Board and is therefore named Nomination & Compensation Committee.

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. As of 31 December 2016, the Board is composed of nine non-executive members. The agenda of the Board's meetings is set by the Chair. Any member of the Board may request that an item be included on the agenda. 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 (the Audit Committee, the Corporate Governance Committee, and the Nomination & Compensation Committee) with management, and retaining outside consultants and independent auditors (Auditors) where appropriate, as well as through regular distribution of important information to its members. 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 currently reviewing the allocation of tasks of its committees to focus the Compensation Committee's work on remuneration related tasks and assign the nomination related tasks to its current Corporate Governance Committee.

In 2016, the Board held ten meetings and phone conferences.

Attendance at meetings and phone conferences during 2016:

	Full Board of Directors	Audit Committee	Corporate Governance Committee	Nomination & Compensation Committee
Number of meetings in person	7	5	5	5
Number of phone conferences	3	6		2
Average duration in hours:				
• Meetings in person	8	3	1	1½
• Phone conferences	½	1		½
Rolf Dörig	10	11[1]	5[1]	7[1]
Thomas O'Neill	9	8[1]	4	6
Dominique-Jean Chertier	9	10		
Jean-Christophe Deslarzes	8	9		4
Alexander Gut	10	11		7
Didier Lamouche	7		4	
David Prince	10	11	5	
Wanda Rapaczynski	8		5	6
Kathleen Taylor	10	11		

1 Guest, without voting right.

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 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 2016, the AC held 11 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.

As of 31 December 2016, the members of the AC were:

Name	Position
David Prince	Chairman of the AC
Dominique-Jean Chertier	Member
Jean-Christophe Deslarzes	Member
Alexander Gut	Member
Kathleen Taylor	Member

3.4.2 Corporate Governance Committee (CGC)

The CGC's primary responsibility is to assist the Board in carrying out its responsibilities as they relate to Corporate Governance principles. The CGC is charged with developing and recommending appropriate Corporate Governance principles and independence rules to the Company, including principles and measures on Corporate Responsibility, as well as reviewing and reassessing such principles and rules 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.

The CGC defines its annual programme according to focus topics of the year. In 2016, the CGC held five meetings. For specific subjects, the CEO represents the EC in the meetings. The Chief Human Resources Officer typically participates in the meetings.

As of 31 December 2016, the members of the CGC were:

Name	Position
Wanda Rapaczynski	Chairwoman of the CGC
Didier Lamouche	Member
Thomas O'Neill	Member
David Prince	Member

3.4.3 Nomination & Compensation Committee (NCC)

In line with Art. 19 of the AoI (http://aoi.adeccogroup.com), the compensation committee in addition has been assigned by the Board with a number of tasks in the field of nomination and therefore is named Nomination & Compensation Committee. The NCC's primary responsibility is to assist the Board in carrying out its responsibilities as they relate to the Company's nomination and compensation matters at executive level. In case of discussions and negotiations on individual compensation packages of the EC, the NCC exclusively considers the best interest of the Company. The NCC 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;
- Providing recommendations to the Board regarding the selection of candidates for the EC, the terms of their employment, and the evaluation of their performance;
- Reviewing and approving the objectives relevant to the compensation of the EC and a further group of senior managers;
- Assuring talent management including retention and succession planning; and
- Establishing criteria for the selection of candidates and recommending candidates for election or re-election to the Board, including candidates for committees of the Board, and including recommendations on compensation of the members of the Board.

In particular, the NCC assists the Board in preparing the proposals to be presented to the AGM for approval of remuneration of the Board and of the EC.

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 Adecco Group (other than fees for service on the Board), are not an affiliated person of the Company, and meet the independence requirements of the stock exchange rules applicable to Adecco Group AG. The Board reviews and confirms the independence of the committee's members-to-elect in advance of the two to four candidates being proposed by the Board to the AGM for individual election.

The NCC has established a roadmap which determines the committee's main discussion topics throughout the year. In 2016, the NCC held seven 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 NCC meetings when their individual compensation matters are discussed.

As of 31 December 2016, the members of the NCC were:

Name	Position
Alexander Gut	Chairman of the NCC
Jean-Christophe Deslarzes	Member
Thomas O'Neill	Member
Wanda Rapaczynski	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 as 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 Chairman 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 Chairman.
- 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 Chairman; the responsibilities of Group Internal Audit are defined by the AC as part of their oversight function in co-ordination 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 the 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 measures taken based on the findings of the risk review process.
- External Audit: refer to section 8. "Auditors".

Executive Committee

Left to right: John L. Marshall III, Stephan Howeg, Shanthi Flynn, Federico Vione, Franz-Josef Schürmann, Christophe Catoir, Hans Ploos van Amstel, Alain Dehaze, Mark De Smedt, Christophe Duchatellier, Enrique Sanchez, Sergio Picarelli

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 31 December 2016.

Alain Dehaze

- 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.
- Belgian national, born 1963. 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.

Hans Ploos van Amstel

- Chief Financial Officer and member of the EC since September 2015.
- Dutch national, born 1965. Hans Ploos van Amstel joined The Adecco Group as CFO in 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

- Regional Head of France and member of the EC since September 2015.
- French national, born 1972. 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.

Robert P. (Bob) Crouch (until 31 March 2017)

- Regional Head of North America and member of the EC since May 2012.
- United States national, born 1968.
- Bob Crouch holds a Bachelor of Science from the University of Florida and a master's degree in Accounting from the University of North Carolina at Chapel Hill, USA.
- Bob Crouch was a Senior Auditor with Arthur Andersen LLP between 1992 and 1995. Thereafter, he joined Accustaff (later MPS Group). From 2001 until 2010, Bob Crouch was Chief Financial Officer of MPS Group Inc. and was elected to the Board of MPS in 2008. From January 2011 until May 2012, he was the President of RPC Partners Inc. (Financial & Management Consulting). Since August 2015 his management role has included the global business lines Pontoon and Beeline.

John L. Marshall III

- Regional Head of UK & Ireland and member of the EC from October 2015 to 31 March 2017, as of 1 April 2017 Regional Head of North America, UK & Ireland Professional Staffing.
- United States national, born 1963.
- 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 practicing 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 and named John L. Marshall III President of The Adecco Group's US Finance, Office and Legal business unit.

Franz-Josef Schürmann

- Regional Head of Germany, Austria, Switzerland and member of the EC since January 2016.
- German national, born 1969. 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.

Christophe Duchatellier

- Regional Head of Asia Pacific including Australia and New Zealand since August 2015, Regional Head Japan & Asia from January 2013 to July 2015. Member of the EC since January 2013.
- French national, born 1962.
- Christophe Duchatellier holds a master's degree in Labour Law from Sorbonne University, France, and studied Human Resources at Assas, France.
- Christophe Duchatellier started his career at Max Vermote & Partners in 1988 and moved to Michael Page in 1992 as Consultant Tax & Legal. He became Regional Managing Director of Michael Page Europe, and a member of Michael Page's Executive Board. Christophe Duchatellier joined The Adecco Group in 2010 as Managing Director, Professional Staffing in France. In March 2012, he was appointed Regional Head of Asia excluding Japan.

Mark De Smedt

- Regional Head of Northern Europe since January 2016, Chief Human Resources Officer from January 2014 to February 2016. Member of the EC since January 2014.
- Belgian national, born 1961.
- Mark De Smedt has a degree in Commercial Engineering from the Free University of Brussels and has attended MBA programmes in Chicago, Harvard, INSEAD and the London Business School.
- In 2009, Mark De Smedt joined The Adecco Group 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

- Regional Head of Italy, Eastern Europe & MENA and India since October 2015, Chief Sales Officer from October 2009 to September 2015. Member of the EC since October 2009.
- Italian national, born 1967.
- 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 a company of The Adecco Group (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).

Enrique Sanchez

- Regional Head of Iberia & Latin America and member of the EC since October 2009.
- Spanish national, born 1967.
- 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.

Federico Vione

- Chief Sales & Innovation Officer from October 2015 to 31 March 2017, as of 1 April 2017 Regional Head of North America, UK & Ireland General Staffing. 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.
- Italian national, born 1972.
- 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.

Board of Directors, Executive Committee, and compensation continued

Shanthi Flynn

- Chief Human Resources Officer and member of the EC since March 2016.
- British national, born 1964. 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 where she held positions of increasing responsibility, 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 HRSO group.

Stephan Howeg

- Chief Marketing & Communications Officer and member of the EC since September 2015.
- Swiss and German national, born 1965.
- 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. 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.

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. 14^{bis}; http://aoi.adeccogroup.com) define the principles of the AGM's say on pay.

The AoI (Art. 20^{bis}; 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 20^{bis} 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 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 million and CHF 562 million as of 31 December 2016 and 31 December 2015, respectively, thereby exceeding 20% of the paid-in share capital in both years.

In 2016 the AGM approved two dividends for a total of CHF 2.40 per share outstanding (totalling CHF 408 million, EUR 372 million), whereof a dividend of CHF 0.90 was allocated from Adecco Group AG's statutory reserves from capital contribution to free reserves and subsequently distributed to shareholders and a dividend of CHF 1.50 was directly distributed from voluntary retained earnings. For 2016, the Board of Directors of Adecco Group AG will propose two dividends for a total of CHF 2.40 per share outstanding for the approval of shareholders at the AGM, whereof a dividend of CHF 0.90 shall be distributed as a reduction of the nominal value of the Adecco Group AG and a dividend of CHF 1.50 shall be directly distributed from voluntary retained earnings.

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 significant and 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).

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 Chairman 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. 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 with a nominal value of at least CHF 1 million 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.

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. Long-term incentive plans of the Company may provide for an accelerated vesting in case of a change of control.

8. Auditors

Each year, the AGM of Adecco Group AG elects the statutory auditor. On 21 April 2016, the AGM elected Ernst & Young Ltd, Zurich, as statutory auditor of the Company for the business year 2016.

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. Bruno Chiomento, licensed audit expert, has been the global co-ordinating partner since 2014.

The total fee for the Group audit of the Company and for the statutory audits of the Company's subsidiaries for the fiscal year 2016 amounted to EUR 6.3 million.

For the fiscal year 2016, 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 four times a year, to discuss the results of their examinations, and the overall quality of the Company's financial reporting. During 2016, 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 2016 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 stand-alone 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 2016 is planned to be held on 20 April 2017 at Beaulieu Lausanne Centre de Congrès et d'Expositions, in Lausanne, Switzerland. The venue details are published in the "Swiss Official Gazette of Commerce" 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:

9 May 2017	Q1 2017 results;
10 August 2017	Q2 2017 results;
7 November 2017	Q3 2017 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

REMUNERATION REPORT

At a glance

1. Introduction

Dear Shareholders,

We are pleased to introduce the Remuneration Report of The Adecco Group for 2016.

The Adecco Group delivered a good performance in 2016. We maintained organic revenue growth of 4%, despite the subdued economic environment in 2016. With an EBITA margin excluding one-offs of 5.0%, we continued to achieve the highest profitability amongst our industry peers, while investing for the future. We generated good cash flow, and we ended the year with a strong 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.

Following the implementation of the Ordinance Against Excessive Compensation at Listed Corporations (the Ordinance), the Nomination & Compensation Committee (NCC) reviewed the remuneration plans in 2015 in order to ensure that they are still well aligned to our business strategy and to the long-term interests of our shareholders, while being compliant with the various regulations and corporate governance principles. As a result of this review and as disclosed already in the Remuneration Report for 2015 (pp. 159), the following amendments have been made to the short- and long-term remuneration plans applicable to the EC, effective for the financial year 2016:

- Refinement of the definition of performance for the purpose of the short-term and the long-term remuneration plans:
  - For the Short-Term Incentive Plan (STIP), EBITA, revenues and days of sales outstanding (DSO) are used as performance indicators. Those metrics are the main value drivers of economic profit, which was the performance metric previously used, and are a more relevant reflection of operating performance for executives.
  - For the Long-Term Incentive Plan (LTIP), relative TSR is used as the single measure of performance, strengthening the alignment between the interests of the executives and those of the shareholders.
  - The resulting combination of performance metrics between STIP and LTIP is well balanced and fosters the performance culture of the company.
- Discontinuation of service-based restricted share unit (RSU) awards.

Furthermore, the NCC 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 NCC 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 2017.

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
Opfikon, 15 March 2017

Remuneration Report

Executive summary

Governance
Refer to section 2.

The Board has entrusted the NCC 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:

	in CHF millions
Annual base salary Reflects the scope of the function and the skill set required to perform the role Monthly cash	8.8
Annual bonus with Short-Term Incentive Plan (STIP) Rewards annual financial performance of The Adecco Group and its businesses: • EBITA • Revenues • DSO Annual cash	6.2
Long-Term Incentive Plan (LTIP) Rewards long-term shareholder value creation • Relative TSR with three-year cliff-vesting Performance Share awards	4.7
Benefits Provides for a reasonable level of income in case of retirement, death or disability; and fringe benefits reflecting local practice Pensions, insurances, fringe benefits	3.4
Total 2016	23.1

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 as amended on 1 January 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 20bis);
- Shareholders' vote on remuneration (Art. 14bis);
- Supplementary amount for new EC members (Art. 14bis);
- Post-employment benefits (Art. 20).

2.2 Role of the Board and NCC

In line with the provisions of the AoI, the Board has entrusted the NCC 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 NCC 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 NCC composition, responsibilities and activities are provided in the Corporate Governance Report, section 3.4 "Nomination & Compensation Committee".

The NCC 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 NCC meets as often as business requires, but at least five times a year. In 2016, the NCC held seven meetings. Details on meeting attendance of the individual NCC members are provided in the Corporate Governance Report, section 3.4 "Internal organisational structure".

The Chairman of the NCC reports to the full Board after each NCC 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 NCC meetings in an advisory capacity. The Chairman of the NCC 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 NCC may decide to consult external advisors from time to time for specific remuneration matters. In 2016, The Adecco Group engaged Aon Hewitt, an international independent external consultant, to provide a benchmarking analysis of the remuneration of the Board and the EC. Aon Hewitt in 2016 had only minor further mandates with The Adecco Group. Furthermore, Obermatt was mandated to calculate achievement level and vesting payout under the LTIP and had no other mandates with The Adecco Group.

In addition, support and expertise are provided to the NCC by internal experts such as the CHRO and the Head of Compensation & Benefits.

Illustration 1: Authority levels in remuneration matters[1]

	CEO	NCC	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 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 market. 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 remuneration of the Board and of the EC members is reviewed regularly in order to ensure market competitiveness. For this purpose, the NCC 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) that form the recruitment market for The Adecco Group. More than 200 companies globally may be potential employers of The Adecco Group's talents and therefore were included in the benchmark analysis.

Specific peer groups have been determined for each region/geography. Generally, factors such as scope and responsibilities of the function, including geographic responsibility, revenues and number of employees, and skill set required to perform the role are considered to identify the relevant benchmarks. The benchmark analysis served as a basis for the NCC to review the remuneration of the EC members and to confirm or revise their target remuneration levels for financial year 2017.

For remuneration decisions that were made previously and that are applicable for the financial year 2016, the NCC relied on the benchmark report provided by Willis Towers Watson in 2014 (details on this benchmark exercise were provided in the 2014 Remuneration Report).

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 2016 to AGM 2017 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 chairperson.

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

For the amounts paid to the individual members of the Board in the period under review (1 January to 31 December 2016), 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.

In 2015, the NCC had reviewed the remuneration plans for the EC in light of the Company's strategy and financial ambitions. The NCC subsequently submitted a proposal to the Board to discontinue the grant of service-based RSUs, and to adapt the performance criteria in the STIP and LTIP. Those changes were approved by the Board and implemented for financial year 2016. They are explained further below.

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 in order 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 has to be approved by the NCC.

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 2016”).

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. For the grant awarded in 2016, the performance period starts on 1 January 2016 and ends on 31 December 2018.

The mechanism of the LTIP is shown in Illustration 6.

At grant date, the LTI target amounts to 80% of the annual base salary for the CEO and ranges from 60% to 125% for the other EC members. 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 16 companies listed in Illustration 7. The NCC 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.

Illustration 6: LTIP mechanism for the grant awarded in 2016

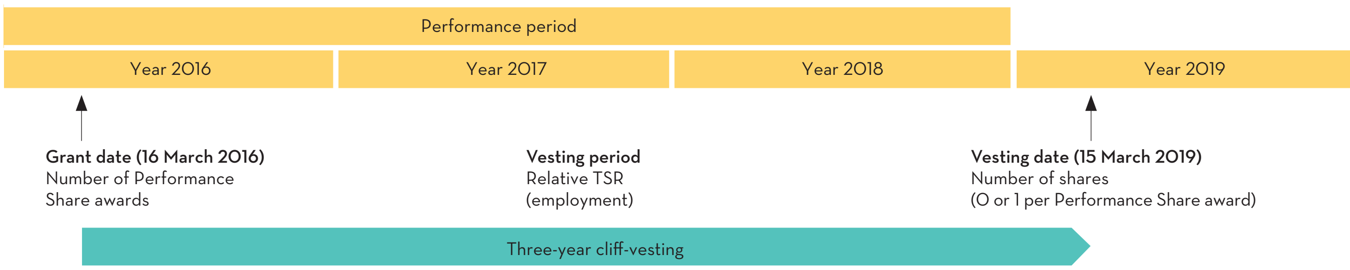
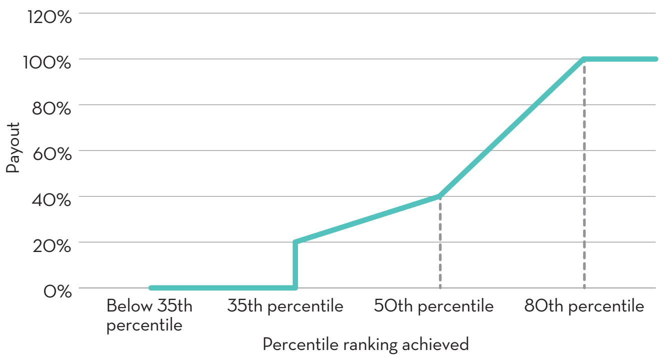


Illustration 7: Peer companies for relative TSR performance under the LTIP

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

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 60-day 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. 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. 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 2016 and shareholding on 31 December 2016

In 2016, the Board's total remuneration amounted to CHF 4.79 million (2015: CHF 4.64 million). Of this total, CHF 2.99 million was paid out in cash (2015: CHF 2.89 million), CHF 1.5 million was awarded in restricted shares (2015: 1.47 million) and social contributions amounted to CHF 0.3 million (2015: CHF 0.28 million).

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

At the AGM of 21 April 2015, shareholders approved a Maximum Total Amount of Remuneration of CHF 4.9 million for the term from the AGM 2015 until the AGM 2016. The remuneration paid to the Board for this term was CHF 4.79 million and is therefore within the approved limits.

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 is anticipated to be approx. CHF 4.8 million. The final amount will be disclosed in the Remuneration Report 2017.

Illustration 9: Board remuneration for financial year 2016 and shareholding as of 31 December 2016

in CHF (except shares)

Name and function	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, Chairman	since Jan.	960,000	500,000	1,460,000	98,475	65,469
Thomas O'Neill, Vice-Chairman	since Jan.	300,000	150,000	450,000	26,337	11,680
Dominique-Jean Chertier	since Jan.	200,000	100,000	300,000	17,184	11,098
Jean-Christophe Deslarzes	since Jan.	225,000	112,500	337,500	22,945	2,913
Alexander Gut	since Jan.	300,000	150,000	450,000	30,438	19,343
Didier Lamouche	since Jan.	200,000	100,000	300,000	20,589	4,098
David Prince	since Jan.	300,000	150,000	450,000	58,856	10,987
Wanda Rapaczynski	since Jan.	300,000	150,000	450,000		13,843
Kathleen Taylor	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 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 plan.

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.

Illustration 10: Board remuneration for financial year 2015 and shareholding on 31 December 2015

in CHF (except shares)

Name and function	Remuneration period in 2015	Remuneration in cash	Remuneration in shares	Total remuneration for term served[1]	Social contributions[2]	Shareholding as of 31 December 2015[3]
Rolf Dörig, Chairman	since Jan.	960,000	500,000	1,460,000	108,926	57,228
Thomas O'Neill, Vice-Chairman	since Jan.	283,333	141,667	425,000	28,293	9,207
Dominique-Jean Chertier	since Jan.	200,000	100,000	300,000		9,449
Jean-Christophe Deslarzes	since April	150,000	75,000	225,000	17,263	1,057
Alexander Gut	since Jan.	300,000	150,000	450,000	34,148	16,870
Didier Lamouche	since Jan.	200,000	100,000	300,000	23,017	2,449
David Prince	since Jan.	275,000	137,500	412,500	55,315	8,514
Wanda Rapaczynski	since Jan.	300,000	150,000	450,000		11,370
Kathleen Taylor	since April	150,000	75,000	225,000	17,263	1,057
Andreas Jacobs	Jan. to April	75,000	37,500	112,500		n.a.
Subtotal		2,893,333	1,466,667[4]	4,360,000	284,225	
Total					**4,644,225**	**117,201**

1 Including Directors' social contributions required by law.

2 Company's social contributions required by law. No pension plan contributions are paid for Directors. Note that in previous years' reporting, both Company's and Directors' contributions were shown separately from the net compensation.

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

4 Paid with 19,991 Adecco Group AG shares at an average price of CHF 73.37 per share.

5.2 Executive Committee's remuneration for 2016

In 2016, EC members' total remuneration amounted to CHF 23.1 million (2015: CHF 28.2 million). This amount consisted of fixed salaries of CHF 8.8 million (2015: CHF 8.4 million), Annual bonus of CHF 6.2 million (2015: CHF 6.5 million), long-term incentives of CHF 4.7 million (2015: CHF 9.5 million), other expenses of CHF 0.9 million (2015: 1.2 million), and social contributions and post-employment benefits of CHF 2.5 million (2015: CHF 2.6 million).

Overall, the remuneration of the EC decreased by 18% compared to 2015. Looking at the different components, the changes were as follows:

- The fixed remuneration increased by 4.6% as a result of the new composition of the EC.
- The 2016 Annual bonus was comparable to 2015. However, the overall figure has decreased versus previous year because of a one-time cash incentive element ("STIPA"; refer to Remuneration Report 2015, section 3.3.2) that had been paid in 2015 only. In 2016, the STI payout for the CEO was 90% of target and ranged from 52% to 104% for the other EC members, and reached an average 83% for the entire EC.
- The decrease 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 lower in 2016 than in 2015. This is mainly due to the discontinuation of RSU awards: the grant value of Performance Shares awards (evaluated with the binomial model) is lower than the grant value of RSU awards.

At the AGM of 21 April 2015, shareholders approved a Maximum Total Amount of Remuneration of CHF 36.3 million for financial year 2016. The remuneration paid to the EC for this term was CHF 23 million and is therefore within the approved limits.

For the financial year 2016, the variable component (Annual bonus as paid, LTIP at grant value) represented 47% of the total remuneration of the EC. This is aligned with the pay-for-performance philosophy of Adecco Group and reflects the orientation of the remuneration plans to the shareholders' interests.

Refer also to 5.7 "Remuneration of former members of Board and EC" for the payments to former members.

Illustration 11: 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 12: EC remuneration for the year 2015

in CHF	Patrick De Maeseneire, CEO until 31 August[1]	Total Executive Committee[2]
Gross cash remuneration[3]:		
• Base salary	1,200,000	8,392,116
• Annual bonus[4]	800,000	6,472,283
Remuneration in kind and other[5]	217,972	1,242,471
Share awards granted in 2015 under the Long-Term Incentive plan (LTIP)[6]:		
• EBITA margin awards	733,058	2,438,275
• EPS awards	733,058	2,438,275
• Relative TSR awards	155,389	516,839
• RSU awards	1,221,739	4,063,722
Social contributions:		
• Old age insurance/pensions and other[7]	219,982	1,861,892
• Additional health/accident insurance	22,982	135,608
• On LTIP awards granted in 2015, potentially vesting in later periods, estimated (based on closing price at grant)[8]	225,067	607,026
Total conferred	**5,529,247**	**28,168,507**
Conferred to former EC members after having ceased to be an EC member[9]	1,550,468	6,826,718
Conferred, grand total[10]	7,079,715	34,995,225

1 Highest conferred individual compensation in 2015. CEO as of 1 September 2015: Alain Dehaze.

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.

Certain officers joined the EC in the course of 2015; LTIP grants awarded to them in 2015, but before their EC membership are not included.

3 Including employee's social contributions.

4 Not included are bonus payments due for 2014 but made during 2015 as this information was disclosed in 2014.

Includes STIPA 2015 of CHF 765,519 for 5 members that have achieved their regional targets in 2015. The group target 2015 has not been achieved.

Not included are bonus payments due for the STIPA 2014. They were conditional on the achievement of the targets in 2015 and the potential amount was already included in the 2014 remuneration report. Out of the STIPA 2014, CHF 574,027 became due to 4 members with regional responsibilities.

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. Includes cash payments one EC member received under the contract for his previous function, benefits, and compensation for further work performed.

6 Value in CHF of Adecco Group AG shares awarded in 2015 under the LTIP 2015 (grant date: 16 March 2015).

Valuation of the share awards granted:

- The grant date values of the EBITA margin awards and of the EPS awards are calculated based on the closing price of the Adecco Group AG share on the day of grant less a discount of 9.5% which takes into consideration that EBITA margin awards and EPS awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of EBITA margin awards and EPS awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares by the participants.
- 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 0.42 for relative TSR awards has been determined using a binomial model. A discount of 9.5% is applied which takes into consideration that relative TSR awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of relative TSR awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares by the participants.
- The grant date fair value of the RSU awards is equal to the closing price of the Adecco Group AG share on the day of grant less a 9.5% discount which takes into consideration that RSU awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of RSU awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares.
- The per-share value of awards granted in 2015 amounts to CHF 72.58 and CHF 64.60 for RSU awards, CHF 30.77 and CHF 27.39 for relative TSR awards, CHF 72.58 and CHF 64.60 for EBITA margin awards, and CHF 72.58 and CHF 64.60 for EPS awards (lower values: French participants).

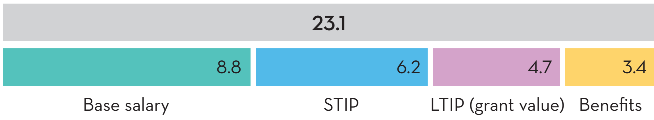
7 Including social contributions on LTIP grant 2015 for one EC member (France) as they became due at grant date.

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 2015 formally terminate in the course of 2016 in accordance with respective termination agreements. The amount shown contains seniority related payments of approx. CHF 2.4 million due under mandatory foreign law. Compensation of former members which is attributable to 2015 is included in this table, whereas compensation to former members attributable to 2016 will be disclosed in the remuneration report for 2016.

10 Not included are employer's social contributions of CHF 320,664 on LTIP awards granted in previous periods and vested in 2015.

Illustration 13: EC remuneration mix for the year 2016



5.3 Shareholding of EC members as of 31 December 2016/2015

The members of the EC, including related parties, reported share ownership as indicated in Illustration 14.

Illustration 14: EC shareholding as of 31 December 2016

(in shares)

Name	Shareholding as of 31 December 2016[1]	Shareholding as of 31 December 2015[1]
Alain Dehaze	24,420	22,734
Hans Ploos van Amstel	5,000	2,000
Christophe Catoir	7,019	5,638
Robert P. (Bob) Crouch	9,425	5,103
John L. Marshall III	5,014	2,000
Christophe Duchatellier	8,089	5,236
Mark De Smedt	5,000	5,000
Sergio Picarelli	11,383	7,854
Enrique Sanchez	7,738	5,184
Federico Vione	7,220	5,043
Stephan Howeg	6,821	5,336
Franz-Josef Schürmann[2]	2,000	
Shanthi Flynn[2]	5,000	
Total	**104,129**	**71,128**

1 Indicating the number of registered shares held, with a nominal value of CHF 1 each. 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.

2 Became a member of the EC in 2016.

5.4 Share awards held by and granted to EC members as per 31 December 2016

This section provides information on the Performance Share Awards granted to EC members in 2016 and vesting of Performance Share Awards granted prior to 2016 and vested in 2016.

Illustration 15: Awards granted in 2016

Share awards held as of 31 December 2016 granted on 16 March 2016 under the LTIP:

31 December 2016	Performance Share Awards
Alain Dehaze	35,374
Total EC	199,894

Illustration 16: Vesting level for Performance Share Awards granted

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

1 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 2016.

5.6 Loans granted to Board and EC members

In 2016, 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 2016.

5.7 Remuneration of former members of Board and EC

A total of CHF 2.5 million was paid in 2016 to certain officers who ceased to be members of the EC in the course of 2015.

No further payments were made to former Board or EC members in relation to their work before financial year 2016.

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

In 2016, part of the remuneration of the Board members was paid in Adecco Group AG shares (refer to Illustration 9: “Board remuneration for financial year 2016 and shareholding as of 31 December 2016”), and under the LTIP, shares were allocated to the EC members (refer to Illustration 11: “EC remuneration for the year 2016”).

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

5.9 Remuneration or loans to closely linked parties

In 2016, 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 2016.

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

We have audited the accompanying Remuneration Report of Adecco Group AG for the year ended 31 December 2016. 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 75 to 79 of the Remuneration Report.

Responsibility of the Board of Directors

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 judgment, 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 2016 of Adecco Group AG complies with Swiss law and articles 14-16 of the Ordinance.

Ernst & Young Ltd

Zurich, 15 March 2017

André Schaub
Licensed audit expert
(Auditor in charge)

Bruno Chiomento
Licensed audit expert

THE ADECCO GROUP

Financial statements

Providing transparency and clarity

Selected financial information

in millions, except share and per share information

For the fiscal years (in EUR)	2016	2015	2014	2013	2012
Statements of operations					
Revenues	**22,708**	22,010	20,000	19,503	20,536
Amortisation of intangible assets	**(34)**	(41)	(37)	(42)	(52)
Impairment of goodwill		(740)			
Operating income	**1,062**	300	891	779	673
Net income attributable to Adecco Group shareholders	**723**	8	638	557	377

As of (in EUR)	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Balance sheets					
Cash and cash equivalents and short-term investments[1]	**1,128**	1,147	681	955	1,102
Trade accounts receivable, net	**4,268**	3,972	3,676	3,526	3,492
Goodwill	**3,051**	3,018	3,583	3,408	3,517
Total assets[1, 2, 3]	**10,099**	9,596	9,346	9,230	9,492
Short-term debt and current maturities of long-term debt[1]	**345**	354	72	484	538
Accounts payable and accrued expenses[2]	**4,031**	3,777	3,601	3,344	3,323
Long-term debt, less current maturities[3]	**1,670**	1,832	1,580	1,562	1,531
Total liabilities[1, 2, 3]	**6,377**	6,250	5,507	5,673	5,793
Total shareholders' equity	**3,722**	3,346	3,839	3,557	3,699

For the fiscal years (in EUR)	2016	2015	2014	2013	2012
Cash flows from operations					
Cash flows from operating activities	**687**	799	785	520	579
Cash used in investing activities	**(113)**	(246)	(93)	(55)	(197)
Cash flows from/(used in) financing activities[1]	**(589)**	(114)	(987)	(575)	205
Other indicators					
Capital expenditures	**76**	97	80	81	88

As of	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Other indicators					
Net debt (in EUR)[4]	**887**	1,039	971	1,091	967
Additional statistics					
Number of FTE employees at year end (approximate)	**33,000**	32,000	31,000	31,000	32,000

1 Certain reclassifications have been made to prior years' amounts or balances in order to conform to the current year presentation.

2 Due to the adoption of ASU 2015-17 – Income Taxes: Balance Sheet Classification of Deferred Taxes in 2016, the 31 December 2015, 2014, 2013 and 2012 figures were restated. Deferred tax assets – current, previously shown in "Other current assets", and deferred tax liabilities – current, previously shown in "Other accrued expenses", are now shown in "Other assets" and "Other liabilities".

3 Due to the adoption of ASU 2015-03 – Presentation of debt issuance costs in 2015, the 31 December 2014, 2013 and 2012 figures were restated. Debt issuance costs previously shown in "Other assets" are now shown net with their related debt in "Long-term debt, less current maturities".

4 Net debt is a non-US GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments. The calculation of net debt based upon financial measures in accordance with US GAAP is presented on page 36.

THE ADECCO GROUP

Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	31.12.2016	31.12.2015
Assets			
Current assets:			
• Cash and cash equivalents		1,123	1,137
• Short-term investments		5	10
• Trade accounts receivable, net	3	4,268	3,972
• Other current assets		214	203
Total current assets		**5,610**	**5,322**
Property, equipment, and leasehold improvements, net	4	167	192
Equity method investments	6	189	52
Other assets	14	554	495
Intangible assets, net	2, 5	528	517
Goodwill	2, 5	3,051	3,018
Total assets		**10,099**	**9,596**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses:			
– Accounts payable		799	771
– Accrued salaries and wages		707	818
– Accrued payroll taxes and employee benefits		1,228	1,027
– Accrued sales and value added taxes		447	430
– Accrued income taxes		38	40
– Other accrued expenses		812	691
• Total accounts payable and accrued expenses		4,031	3,777
• Short-term debt and current maturities of long-term debt	7	345	354
Total current liabilities		**4,376**	**4,131**
Long-term debt, less current maturities	7	1,670	1,832
Other liabilities	14	331	287
Total liabilities		**6,377**	**6,250**
Shareholders' equity			
Adecco Group shareholders' equity:			
• Common shares	8	106	108
• Additional paid-in capital	8	581	721
• Treasury shares, at cost	8	(40)	(258)
• Retained earnings		3,058	2,782
• Accumulated other comprehensive income/(loss), net	8	10	(13)
Total Adecco Group shareholders' equity		**3,715**	**3,340**
Noncontrolling interests		7	6
Total shareholders' equity		**3,722**	**3,346**
Total liabilities and shareholders' equity		**10,099**	**9,596**

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	2016	2015	2014
Revenues	16	22,708	22,010	20,000
Direct costs of services		(18,432)	(17,831)	(16,297)
Gross profit		**4,276**	**4,179**	**3,703**
Selling, general, and administrative expenses		(3,180)	(3,098)	(2,775)
Amortisation of intangible assets	5	(34)	(41)	(37)
Impairment of goodwill	5		(740)	
Operating income	16	**1,062**	**300**	**891**
Interest expense		(59)	(67)	(69)
Other income/(expenses), net	13	32	13	5
Income before income taxes		**1,035**	**246**	**827**
Provision for income taxes	14	(310)	(236)	(187)
Net income		**725**	**10**	**640**
Net income attributable to noncontrolling interests		(2)	(2)	(2)
Net income attributable to Adecco Group shareholders		**723**	**8**	**638**
Basic earnings per share	15	**4.24**	**0.05**	**3.62**
Basic weighted-average shares	15	170,292,621	172,526,685	176,267,821
Diluted earnings per share	15	**4.24**	**0.05**	**3.61**
Diluted weighted-average shares	15	170,525,841	172,712,214	176,589,179

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	**2016**	2015	2014
Net income		725	10	640
Other comprehensive income/(loss), net of tax:				
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2016: EUR 1, 2015: EUR 2, 2014: EUR (2))		(11)	(20)	28
• Currency translation adjustment of net investment hedge (net of tax of, 2015: less than EUR 1)			3	
• 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, and net investment hedge (net of tax of, 2016: less than EUR 1, 2015: EUR 1, 2014: less than EUR 1)		24	122	179
• Change in pension prior years' service costs (net of tax of, 2016: less than EUR 1, 2015: less than EUR 1, 2014: less than EUR 1)	10	2		1
• Change in net actuarial gain/(loss) on pensions (net of tax of, 2016: EUR 2, 2015: EUR 3, 2014: EUR 2)	10	4	(10)	(9)
• Change in fair value of securities (net of tax of, 2016: less than EUR 1)		1		
• Change in fair value of cash flow hedges (net of tax of, 2016: less than EUR 1)	11	(1)		
Total other comprehensive income		23	95	199
Total comprehensive income		**748**	**105**	**839**
Less comprehensive income attributable to noncontrolling interests		(2)	(2)	(2)
Comprehensive income attributable to Adecco Group shareholders		**746**	**103**	**837**

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)	2016	2015	2014
Cash flows from operating activities			
Net income	725	10	640
Adjustments to reconcile net income to cash flows from operating activities:			
• Depreciation and amortisation	119	135	129
• Impairment of goodwill		740	
• Gain on divestiture of Beeline	(100)		
• Loss on buyback of long-term debt	26		
• Bad debt expense	27	10	9
• Stock-based compensation	12	21	15
• Deferred tax provision/(benefit)	38	29	(10)
• Other, net	24	24	7
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
• Trade accounts receivable	(319)	(186)	(38)
• Accounts payable and accrued expenses	205	56	106
• Other assets and liabilities	(70)	(40)	(73)
Cash flows from operating activities	**687**	**799**	**785**
Cash flows from investing activities			
Capital expenditures	(76)	(97)	(80)
Proceeds from sale of property and equipment	2	2	28
Acquisition of Penna, net of cash acquired	(122)		
Acquisition of D4, net of cash acquired	(25)		
Proceeds from divestiture of Beeline, net of cash divested	72		
Acquisition of Knightsbridge, net of cash acquired		(56)	
Cash settlements on derivative instruments	63	(94)	(5)
Purchase of short-term investments	(18)	(16)	(5)
Proceeds from sale of short-term investments	23	7	2
Other acquisition and investing activities, net	(32)	8	(33)
Cash used in investing activities	**(113)**	**(246)**	**(93)**

For the fiscal years ended 31 December (in EUR)	2016	2015	2014
Cash flows from financing activities			
Borrowings of short-term debt under the commercial paper programme	394	446	427
Repayment of short-term debt under the commercial paper programme	(404)	(488)	(459)
Other net increase/(decrease) in short-term debt	(3)	2	(35)
Borrowings of long-term debt, net of issuance costs	494	498	
Repayment of long-term debt	(316)		(346)
Buyback of long-term debt	(362)		
Dividends paid to shareholders	(372)	(348)	(291)
Purchase of treasury shares	(20)	(225)	(281)
Other financing activities, net		1	(2)
Cash used in financing activities	**(589)**	**(114)**	**(987)**
Effect of exchange rate changes on cash	**1**	**20**	**18**
Net increase/(decrease) in cash and cash equivalents	**(14)**	**459**	**(277)**
Cash and cash equivalents:			
• Beginning of year	1,137	678	955
• End of year	1,123	1,137	678
Supplemental disclosures of cash paid			
Cash paid for interest	64	56	78
Cash paid for income taxes	259	237	230

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 2014	**118**	**1,352**	**(461)**	**2,851**	**(307)**	**4**	**3,557**
Comprehensive income:							
Net income				638		2	640
Other comprehensive income					199		199
Total comprehensive income							**839**
Stock-based compensation		15					15
Vesting of share awards		(14)	14				
Share cancellation	(7)		424	(417)			
Treasury shares purchased on second trading line			(257)				(257)
Other treasury share transactions			(23)				(23)
Cash dividends, CHF 2.00 per share		(291)					(291)
Other		1				(2)	(1)
31 December 2014	**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**

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

At the Annual General Meeting of Shareholders of Adecco S.A. held on 21 April 2016, the shareholders approved to move the corporate seat of Adecco S.A. from Chéserex (Vaud) Switzerland to Opfikon (Zurich) Switzerland, and subsequently to amend the corporate name of Adecco S.A. to Adecco Group AG. On 25 April 2016, the corporate seat was moved to Opfikon, and on 28 April 2016, the corporate name of the company was changed from Adecco S.A. to Adecco Group AG.

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 2016, the Company's worldwide network consists of approximately 5,100 branches and more than 33,000 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; 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 Vendor Management System (VMS). BPO included 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 2016, 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 80, and EUR 76 in 2016, 2015, and 2014, 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 amortised on a straight-line basis over the estimated useful life commencing when the software is placed into service, 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 stand-alone 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.

Notes to consolidated financial statements continued

in millions, except share and per share information

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%; for 2017, the rate was further increased to 7%. 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 2016, the Company sold a portion of the CICE receivables of EUR 170 for cash proceeds of EUR 169 and in June 2015 sold a portion of the CICE receivables of EUR 167 for cash proceeds of EUR 163. Upon sale, the Company derecognised EUR 170 in June 2016 and EUR 167 in June 2015 of the CICE receivables as this transaction qualifies 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. Early adoption is permitted from the first interim period within annual reporting periods beginning after 15 December 2016. While the Company continues to evaluate the impact of this guidance on its consolidated financial statements it currently does not expect this guidance to have a significant impact upon adoption and plans to adopt this new guidance on 1 January 2018.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" (ASU 2015-17). The amendments under ASU 2015-17 require that deferred tax assets and liabilities be classified as non-current in a classified statement of financial position. This guidance may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. This guidance is effective for fiscal years beginning after 15 December 2016. Early adoption is permitted for all entities as of the beginning of any interim or annual reporting period. The Company early adopted ASU 2015-17 during the fourth quarter of fiscal year 2016 on a retrospective basis. Accordingly, it reclassified current deferred tax assets and liabilities to non-current in its 31 December 2015 Consolidated Balance Sheet, which decreased other current assets by EUR 104, increased other assets by EUR 35, decreased other accrued expenses by EUR 2, and decreased other liabilities by EUR 67.

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 March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09). ASU 2016-09 provides updated guidance on the recognition, measurement, presentation, and disclosure of certain components of stock compensation. The updated guidance requires the recognition of all excess tax benefits/deficiencies in the statement of operations with the classification as operating activities within the statement of cash flows, as well as the option to account for forfeitures based on awards expected to vest or as they occur. ASU 2016-09 is effective for annual and interim reporting periods beginning after 15 December 2016, with early adoption permitted. The Company early adopted this guidance on a prospective basis for the period ended 31 March 2016 and it did not have a significant impact on the consolidated financial statements. Prior periods have not been adjusted to conform to the current period presentation.

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. Early adoption is permitted from the first interim period within annual reporting periods beginning after 15 December 2016. The Company plans to adopt this amendment as of 1 January 2018 and is currently assessing the impact of this guidance on the consolidated financial statements.

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 explain the change during the period in the total of cash and cash equivalents, and amounts generally described as restricted cash or restricted cash equivalent. 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. Early adoption is permitted. The Company plans to adopt this amendment as of 1 January 2018 and is currently assessing the impact of this guidance on the consolidated statements of cash flows.

in millions, except share and per share information

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 plans to adopt this amendment as of 1 January 2018 and is currently assessing the impact of this guidance on the 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.

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

in EUR	**2016**	2015	2014
Personnel expenses	**2,346**	2,260	2,020

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 2016, 2015 and 2014. The Company does not consider any of its 2016, 2015 or 2014 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 2016 and 2015 acquisitions:

in EUR	2016	2015
Impact of acquisitions		
Net tangible assets acquired	8	2
Identified intangible assets	54	28
Goodwill	129	43
Deferred tax liabilities	(8)	(5)
Total consideration	**183**	**68**

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. Total acquisition related costs expensed in 2016 were not significant. Acquisition related costs are included in SG&A within the consolidated statements of operations.

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.

In April 2015, the Company acquired all outstanding common shares of Knightsbridge Human Capital Management Inc. (Knightsbridge), the Canadian market leader in career transition, talent and leadership development and recruitment services, for EUR 56, net of EUR 1 cash acquired. As a result of the Knightsbridge acquisition, the Company has become the market leader for Human Capital Solutions in Canada and reinforced its leadership position in key markets around the world. Goodwill of EUR 34 and intangible assets of EUR 26 were recorded in connection with Knightsbridge. The purchase price was funded with internal resources. Knightsbridge was consolidated by the Company as of 1 April 2015, and the results of Knightsbridge operations have been included in the consolidated financial statements since April 2015. The goodwill of EUR 34 arising from the acquisition consists largely of acquired expertise and increased penetration in the Canadian career transition and talent development market.

Total acquisition related costs expensed in 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	31.12.2016	31.12.2015
Trade accounts receivable	4,334	4,023
Allowance for doubtful accounts	(66)	(51)
Trade accounts receivable, net	**4,268**	**3,972**

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 4 – Property, equipment, and leasehold improvements

	31.12.2016		31.12.2015	
in EUR	Gross	Accumulated depreciation	Gross	Accumulated depreciation
Land and buildings	3	(2)	4	(2)
Furniture, fixtures, and office equipment	151	(123)	166	(139)
Computer equipment	199	(170)	245	(215)
Capitalised software	566	(507)	622	(536)
Leasehold improvements	226	(176)	236	(189)
Total property, equipment, and leasehold improvements	**1,145**	**(978)**	**1,273**	**(1,081)**

Depreciation expense was EUR 85, EUR 94, and EUR 92 for 2016, 2015, and 2014, respectively.

Additionally, in 2015 a write-down of EUR 45 due to changes in the expected use of certain capitalised software was recorded and included in SG&A within the consolidated statements of operations. EUR 12 was recorded in the Japan segment and EUR 33 recorded in Corporate.

The Company recorded EUR 40, EUR 50, and EUR 52 of depreciation expense in connection with capitalised software in 2016, 2015, and 2014, respectively. The estimated aggregate depreciation expense related to computer software is EUR 31 in 2017, EUR 16 in 2018, EUR 9 in 2019, EUR 2 in 2020, and EUR 1 in 2021.

Note 5 – Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended 31 December 2016 and 31 December 2015 are as follows:

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Japan	Italy	Benelux & Nordics	Lee Hecht Harrison	Other	**Total**
Changes in goodwill										
1 January 2015	**237**	**1,076**	**250**	**1,278**	**71**	**–**	**239**	**262**	**170**	**3,583**
Additions		9						34		43
Impairment charge				(648)					(92)	(740)
Currency translation adjustment		113	14	1	8		(4)	7	(7)	132
31 December 2015	**237**	**1,198**	**264**	**631**	**79**	**–**	**235**	**303**	**71**	**3,018**
Additions		15	43				14	57		129
Allocation to disposals/deconsolidations		(73)	(28)						(3)	(104)
Currency translation adjustment		40	(38)		4		2	(1)	1	8
31 December 2016	**237**	**1,180**	**241**	**631**	**83**	**–**	**251**	**359**	**69**	**3,051**

As of 31 December 2016 and 31 December 2015, the gross goodwill amounted to EUR 3,980 and EUR 3,954, respectively. As of 31 December 2016, accumulated impairment charges amounted to EUR 773 in Germany, Austria, Switzerland, EUR 90 in Australia & New Zealand, EUR 56 in UK & Ireland, and EUR 10 in India, impacted only by fluctuations in exchange rates, and as of 31 December 2015, EUR 773 in Germany, Austria, Switzerland, EUR 88 in Australia & New Zealand, EUR 65 in UK & Ireland, and EUR 10 in India.

On 12 December 2016, the Company deconsolidated Beeline following its merger with IQNavigator. In conjunction with the deconsolidation, the Company allocated EUR 73 and EUR 28 of goodwill from the North America and UK & Ireland reporting units, respectively, decreasing the gain on sale.

Effective 1 January 2016, the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. Switzerland, previously considered its own segment, is now part of Germany, Austria, Switzerland; Benelux & Nordics, previously considered two separate segments, were combined; and the Rest of World segments include Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India segments. Prior year information has been restated to conform to the current year presentation.

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 2016, 2015, and 2014 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 stand-alone 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 2016, 2015, and 2014 ranged from 7.0% to 14.3%.

The carrying amounts of other intangible assets as of 31 December 2016 and 31 December 2015 are as follows:

	31.12.2016		31.12.2015	
in EUR	Gross	Accumulated amortisation	Gross	Accumulated amortisation
Intangible assets				
Marketing related (trade names)	444	(17)	468	(42)
Customer base	422	(341)	452	(380)
Contract	30	(10)	28	(9)
Other	2	(2)	3	(3)
Total intangible assets	**898**	**(370)**	**951**	**(434)**

The carrying amount of indefinite-lived intangible assets was EUR 410 and EUR 418 as of 31 December 2016 and 31 December 2015, respectively. Indefinite-lived intangible assets consist mainly of trade names.

The Company performed its annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2016, 2015, and 2014 and determined that there was no indication of impairment.

The estimated aggregate amortisation expense related to definite-lived intangible assets is EUR 31 in 2017, EUR 31 in 2018, EUR 18 in 2019, EUR 11 in 2020, EUR 8 in 2021, and EUR 19 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 2016 and 31 December 2015 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 2016 and 31 December 2015 are as follows:

in EUR	2016	2015
1 January	**52**	**40**
Additional equity method investments	12	2
IQN/Beeline investment acquired	123	
Proportionate net income of investee companies	9	10
Dividends and distributions received	(6)	(1)
Sale of equity method investment		(1)
Currency translation adjustment	(1)	2
31 December	**189**	**52**

Notes to consolidated financial statements continued

in millions, except share and per share information

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 2016, whereas EUR 10 as of 31 December 2015 was outstanding under the programme. As of 31 December 2015, the weighted-average interest rate on commercial paper outstanding was 0.47%.

Other short-term debt

As of 31 December 2016 and 31 December 2015, bank overdrafts and other short-term borrowings amounted to EUR 18 and EUR 22, respectively.

Long-term debt

The Company's long-term debt as of 31 December 2016 and 31 December 2015 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	31.12.2016	31.12.2015
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	494	
7-year guaranteed Euro medium-term notes	EUR 500	2022	1.5%	499	499
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	116	115
6-year guaranteed Euro medium-term notes	EUR 214	2019	2.75%	214	399
7-year guaranteed Euro medium-term notes	EUR 348	2018	4.75%	347	497
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	327	322
4-year Swiss Franc fixed rate notes	CHF 350	2016	2.125%		321
Other					1
				1,997	**2,154**
Less current maturities				(327)	(322)
Long-term debt, less current maturities				**1,670**	**1,832**

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.

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.

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.

4-year Swiss Franc fixed rate notes due 2016

On 8 February 2012, Adecco Group AG issued CHF 350 fixed rate notes with a coupon of 2.125% due on 8 February 2016 (2016 notes). The 2016 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Exchange. The proceeds were used for general corporate purposes. In February 2016, the Company settled the remaining outstanding 2016 notes at maturity.

Payments of long-term debt translated using 31 December 2016 exchange rates are due as follows:

in EUR	2017	2018	2019	2020	2021	Thereafter	Total
Payments due by year	327	347	214	116		993	1,997

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 2016 and 31 December 2015, there were no outstanding borrowings under the credit facility. As of 31 December 2016, the Company had EUR 590 available under the facility after utilising the Euro equivalent of EUR 10 in the form of letters of credit.

Note 8 – Shareholders' equity

The summary of the components of authorised shares as of 31 December 2016, 31 December 2015, and 31 December 2014 and changes during those years are as follows:

	Outstanding shares	Treasury shares	Issued shares[1]	Conditional capital	Authorised shares
Changes in components of authorised shares					
1 January 2014	**178,138,000**	**11,125,506**	**189,263,506**	**19,566,804**	**208,830,310**
Share cancellation		(10,181,696)	(10,181,696)		(10,181,696)
Purchased over second trading line (share buyback)	(4,606,873)	4,606,873			
Other treasury share transactions	(82,558)	82,558			
31 December 2014	**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**

1 Shares at CHF 1 nominal value.

in millions, except share and per share information

Authorised shares and appropriation of available earnings

As of 31 December 2016, 31 December 2015, and 31 December 2014, 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 2016, 31 December 2015, and 31 December 2014, 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. No options were outstanding as of 31 December 2016.

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 stand-alone financial statements of Adecco Group AG, the holding company of The Adecco Group, prepared in accordance with Swiss law. As of 31 December 2016, the stand-alone financial statements of Adecco Group AG included shareholders' equity of CHF 3,906 (EUR 3,645), of which CHF 171 represent share capital, CHF (48) represent treasury shares, and CHF 3,783 represent reserves and retained earnings. Of the CHF 3,783 balance, an amount of CHF 34 representing 20% of share capital, is restricted based on the Swiss Code of Obligations and cannot be distributed as dividends.

In 2016, shareholders at the Annual General Meeting of Shareholders approved two dividends for a total of CHF 2.40 per share outstanding, whereof a dividend of CHF 0.90 was allocated from Adecco Group AG's statutory reserves from capital contribution to free reserves and subsequently distributed to shareholders, and a dividend of CHF 1.50 was directly distributed to shareholders from voluntary retained earnings. The statutory reserves from capital contribution was classified as additional paid-in capital in the consolidated balance sheets. For 2016, the Board of Directors of Adecco Group AG will propose two dividends for a total of CHF 2.40 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders, whereof a dividend of CHF 0.90 shall be distributed as a reduction of the nominal value of the Adecco Group AG share and a dividend of CHF 1.50 shall be directly distributed from voluntary retained earnings.

Treasury shares

In 2016, 2015, and 2014, the number of treasury shares acquired on the regular trading line amounted to 45,000, 319,905, and 409,631, respectively, and the net consideration paid amounted to EUR 3, EUR 20, and EUR 23, respectively.

In 2016, 2015, and 2014, the Company awarded 24,936 treasury shares, 19,991 treasury shares, and 16,335 treasury shares, respectively, to the Board of Directors as part of their compensation package (refer to section 5.1 "Board of Directors' compensation and shareholding" within the Remuneration Report). In addition, in 2016, 2015, and 2014, 240,643 treasury shares, 296,320 treasury shares, and 310,738 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

The Company completed the following share buyback programmes in the last three years on a second trading line, subsequently cancelling the shares and reducing share capital:

- EUR 250 announced in September 2013 (completed in November 2014);
- EUR 250 announced in November 2014 (completed in January 2016).

As of 31 December 2016, 31 December 2015, and 31 December 2014, Adecco Group AG held no shares, 3,130,750 shares, and 4,606,873 shares, respectively, acquired under the share buyback programmes. The Company acquired 188,000 shares for EUR 11 in 2016, 3,130,750 shares for EUR 207 in 2015, and 4,606,873 shares for EUR 257 in 2014, respectively, under the share buyback programmes.

In March 2017, the Company launched a new share buyback programme of up to EUR 300 with the aim of subsequently cancelling the shares and reducing share capital.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 21 April 2016, the shareholders approved the cancellation of 3,318,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,318,750 registered shares with a nominal value of CHF 1.00 each. The cancellation of 3,318,750 treasury shares was completed on 4 July 2016. Effective 4 July 2016 the share capital of the Company amounts to CHF 171 divided into 171,156,187 shares.

As of 31 December 2016, the treasury shares 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' compensation.

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	31.12.2016	31.12.2015	31.12.2014
Currency translation adjustment	47	30	(75)
Change in fair value of marketable securities	1		
Unrealised gain on cash flow hedging activities		1	1
Pension-related adjustments	(38)	(44)	(34)
Accumulated other comprehensive income/(loss), net	**10**	**(13)**	**(108)**

In 2016, 2015, and 2014, an amount of EUR 3 (net of tax of EUR 1), EUR 3 (net of tax of EUR 1), and EUR 2 (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 2015 and 2014.

Note 9 – Stock-based compensation

As of 31 December 2016, the Company had non-vested share awards outstanding relating to its common shares. Compensation expense of EUR 12, EUR 21, and EUR 15 was recognised in 2016, 2015, and 2014, respectively, in connection with the non-vested share awards granted in 2016, 2015, and 2014. The total income tax benefit recognised related to stock compensation amounted to EUR 3 in 2016, EUR 5 in 2015, and EUR 4 in 2014.

Non-vested share award plans

Performance share awards were granted in March 2016, 2015, and 2014 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 2016, 2015, and 2014 awards 31 December 2018, 31 December 2017, and 31 December 2016, respectively). The requisite service period represents three calendar years starting on 1 January 2016, 1 January 2015, and 1 January 2014, 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 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). No absolute or additional TSR awards were granted in 2016.

The awards granted in 2014 and 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 2014 to 2016 for the grant 2014 and 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 2014 for the grant 2014 and 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 2016 for the grant 2014 and 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 and 2014 to the members of the Executive Committee and were granted in 2016, 2015 and 2014 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 2016 for 2016 awards, 1 January 2015 for 2015 awards, and 1 January 2014 for 2014 awards.
- 2015 and 2014 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 2016, 2015, and 2014 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-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, absolute, and additional TSR awards (collectively 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 and 2014. 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.

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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:

	2016	2015	2014
Assumptions used for the estimation of the fair value of the TSR awards			
Implied at-the-money volatility	**27.0%**	23.26%	24.25%
Expected dividend yield	**3.87%**	2.83%	3.03%
Expected term	**3 years**	2.8 years	2.8 years
Risk-free rate	**-0.71%**	-0.68%	0.07%

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 2016, 31 December 2015, and 31 December 2014 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 2014	**65,594**	**20**	**65,594**	**17**	**65,594**	**11**
Granted	19,325	27				
Forfeited	(3,805)	22	(2,816)	17	(2,816)	11
Lapsed	(17,279)	22	(2,916)	15	(17,279)	10
Vested			(14,363)	15		
Non-vested share awards outstanding as of 31 December 2014	**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**	**–**	**–**	**–**	**–**

EBITA margin awards and EPS awards

The fair value of the EBITA margin awards and the EPS 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 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 2016.

A summary of the status of the Company's non-vested EBITA margin awards and EPS awards as of 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				
Granted	38,647	65	38,647	65
Forfeited	(1,977)	66	(1,977)	66
Non-vested share awards outstanding as of 31 December 2014	**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**

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 2016, 31 December 2015, and 31 December 2014 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 2014	**621,763**	**50**
Granted	280,904	67
Vested	(296,375)	50
Forfeited	(32,853)	58
Non-vested share awards outstanding as of 31 December 2014	**573,439**	**57**
Granted	252,529	68
Vested	(273,560)	50
Cancelled	(214)	67
Forfeited	(58,138)	64
Non-vested share awards outstanding as of 31 December 2015	**494,056**	**62**
Granted	192,512	52
Vested	(219,680)	57
Cancelled	(364)	52
Forfeited	(26,220)	59
Non-vested share awards outstanding as of 31 December 2016	**440,304**	**60**

As of 31 December 2016, the total unrecognised compensation expense related to non-vested share awards amounted to EUR 13. 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 2016, 2015, and 2014 amounted to EUR 14, EUR 22, and EUR 19, respectively.

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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 80 in 2016, EUR 71 in 2015, and EUR 66 in 2014, in connection with defined contribution plans, and an expense of EUR 50, EUR 45, and EUR 38 in connection with the Italian employee termination indemnity arrangement in 2016, 2015, and 2014, 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 2016 and 31 December 2015, the assets held in the Rabbi trusts amounted to EUR 141 and EUR 102, respectively. The related pension liability totalled EUR 141 and EUR 123 as of 31 December 2016 and 31 December 2015, 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 2016 and 31 December 2015, Alecta managed approximately EUR 75,350 and EUR 78,380, respectively of plan assets on behalf of 2 million private individuals and 33,000 companies. Total contributions made by all plan members to this plan in 2015 amounted to approximately EUR 4,000. The information on total contributions made by all plan members in 2016 has not yet been published by Alecta. Contributions made to this plan by the Company amounted to EUR 2 in 2016, EUR 3 in 2015 and EUR 3 in 2014.

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 2016 and 2015 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 will sponsor 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	**2016**	2015	2014	**2016**	2015	2014
Components of pension expense						
Service cost	17	16	13	5	7	5
Interest cost	2	2	4	2	5	6
Expected return on plan assets	(5)	(7)	(6)	(2)	(3)	(4)
Amortisation of prior years' service costs	(1)	(1)	(1)	1	1	1
Amortisation of net (gain)/loss	4	1		1	(1)	1
Loss recognised due to settlement					8	
Pension expense, net	**17**	**11**	**10**	**7**	**17**	**9**

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 2016 and 31 December 2015:

	Swiss plan		Non-Swiss plans	
in EUR	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Pension liabilities and assets				
Projected benefit obligation, beginning of year	**248**	**203**	**88**	**199**
Service cost	17	16	5	7
Interest cost	2	2	2	5
Participants contributions	57	51	2	1
Plan amendments	(4)			
Actuarial (gain)/loss	(6)	9	13	(17)
Acquisitions			5	
Benefits paid	(69)	(54)	(4)	(3)
Settlement				(108)
Foreign currency translation	3	21	(4)	4
Projected benefit obligation, end of year	**248**	**248**	**107**	**88**
Plan assets, beginning of year	236	203	42	160
Actual return on assets	11		2	(2)
Employer contributions	16	16	5	4
Participants contributions	57	51		1
Benefits paid	(69)	(54)	(2)	(2)
Settlement				(122)
Foreign currency translation	4	20	(5)	3
Plan assets, end of year	**255**	**236**	**42**	**42**
Funded status of the plan	**7**	**(12)**	**(65)**	**(46)**
Accumulated benefit obligation, end of year	**243**	**243**	**102**	**84**

The following amounts are recognised in the consolidated balance sheets as of 31 December 2016 and 31 December 2015:

	Swiss plan		Non-Swiss plans	
in EUR	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Pension-related assets				
Other assets	7		1	4
Pension-related liabilities				
Other accrued expenses			(1)	(1)
Other liabilities		(12)	(65)	(49)
Total	**7**	**(12)**	**(65)**	**(46)**

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. 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 Swiss defined benefit plan and EUR 1 for the non-Swiss defined benefit plans. In addition, a EUR 2 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 2015, the Company recognised a net loss of EUR 33 and EUR 10 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 2 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 2015, 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 2016 and 31 December 2015, the total PBO was EUR 102 and EUR 301, respectively, and the fair value of the plan assets was EUR 36 and EUR 239, 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 97 and EUR 291 as of 31 December 2016 and 31 December 2015, respectively, and the fair value of the plan assets of those plans was EUR 36 and EUR 239, 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 %	**2016**	2015	2014	**2016**	2015	2014
Weighted-average actuarial assumptions						
Discount rate	0.6	0.8	1.1	1.9	2.7	2.4
Rate of increase in compensation levels	2.1	2.1	2.5	1.0	1.1	1.1
Expected long-term rate of return on plan assets	2.2	2.2	3.3	4.2	5.0	3.1

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 2016 and 31 December 2015, by asset category, are as follows:

	Swiss plan	Non-Swiss plans
in %	Target allocation range	Target allocation range
Weighted-average asset allocations		
Equity securities	20-45	0-5
Debt securities	15-50	5-65
Real estate	5-25	0-5
Other	0-50	0-55

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 2016 and as of 31 December 2015 by asset category are as follows:

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**

31 December 2015

	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	1			1
Equity securities:								
• Switzerland	41			41				
• Rest of the world	57			57				
Debt securities:								
• Government bonds	3			3	16			16
• Corporate bonds	62			62	3			3
Alternative investments:								
• Commodity funds/private equity	10		8	18				
• Alternative investment funds		20		20	19			19
Real estate funds	33	1		34				
Other					3			3
Total	**207**	**21**	**8**	**236**	**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 2016 and 31 December 2015 is as follows:

in EUR	Swiss plan
Private equity funds	
Balance as of 1 January 2015	**5**
Purchases, sales, and settlements, net	3
Balance as of 31 December 2015	**8**
Purchases, sales, and settlements, net	2
Balance as of 31 December 2016	**10**

The Company expects to contribute EUR 17 to its pension plan in Switzerland and EUR 2 to its non-Swiss plans in 2017.

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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		
2017	70	5
2018	15	4
2019	14	4
2020	13	4
2021	13	4
Years 2022–2026	51	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 2016 and 31 December 2015:

	31.12.2016		31.12.2015	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	1,123	1,123	1,137	1,137
• Short-term investments	5	5	10	10
• Trade accounts receivable, net	4,268	4,268	3,972	3,972
Current liabilities:				
• Accounts payable	799	799	771	771
• Short-term debt	18	18	32	32
• Current maturities of long-term debt	327	334	322	323
Non-current liabilities:				
• Long-term debt, less current maturities	1,670	1,755	1,832	1,941

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 2016 and 31 December 2015:

in EUR	Balance sheet location	Notional amount 31.12.2016	Notional amount 31.12.2015	Fair value 31.12.2016	Fair value 31.12.2015
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swap	Other assets	**50**	50	**1**	2
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	**445**	1,266	**11**	38
• Cross-currency interest rate swap	Other current assets	**48**		**5**	
• Cross-currency interest rate swap	Other assets		46		4
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	**1,256**	400	**(29)**	(4)
Total net derivatives				**(12)**	**40**

In addition, accrued interest receivable on interest rate swaps of less than EUR 1 was recorded in other current assets as of 31 December 2016 and as of 31 December 2015. As of 31 December 2016 and as of 31 December 2015, 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 2016 and 31 December 2015, the total impact of non-performance risk and liquidity risk was an adjustment of EUR 5 and EUR 2, 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 2016, 2015, and 2014, are as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2016	2015	2014	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2016	2015	2014
Interest rate swaps	Interest expense	**(1)**	1	1	Long-term debt	Interest expense	**1**	(1)	(1)

In addition, the Company recorded a gain of less than EUR 1 in 2016, less than EUR 1 in 2015, and EUR 1 in 2014 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 2016, 2015, and 2014, 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 2016, 2015, or 2014.

Cash flow hedges

There was an effective portion of gains on cash flow hedges recognised in other comprehensive income/(loss), net, of EUR 1 as of 31 December 2016, and less than EUR 1 in 31 December 2015 and 31 December 2014, respectively. No gains relating to cash flow hedges are included as component of accumulated other comprehensive income/(loss) as of 31 December 2016, whereas these gains amounted to EUR 1 as of 31 December 2015 and 31 December 2014. No significant gains or losses were recorded in 2016, 2015, and 2014, due to ineffectiveness in cash flow hedge relationships. In 2016, 2015, and 2014, 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.

in millions, except share and per share information

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 gain of EUR 5 in 2016 and in 2015 and a net loss of EUR 2 in 2014 as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings			Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings		
		2016	2015	2014			**2016**	2015	2014
Cross-currency interest rate swaps	Other income/ (expenses), net	**2**	5		Loans and receivables to/from subsidiaries	Other income/ (expenses), net	**(1)**	(4)	
Foreign currency contracts	Other income/ (expenses), net	**7**	(64)	(2)	Cash, loans, and receivables to/from subsidiaries	Other income/ (expenses), net	**(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 2016 and 31 December 2015, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
31 December 2016				
Assets				
Available-for-sale securities	5		1	6
Derivative assets		17		17
Liabilities				
Derivative liabilities		29		29
31 December 2015				
Assets				
Available-for-sale securities	10			10
Derivative assets		44		44
Liabilities				
Derivative liabilities		4		4

Note 13 – Other income/(expenses), net

For the years 2016, 2015, and 2014, other income/(expenses), net, consist of the following:

in EUR	2016	2015	2014
Foreign exchange gain/(loss), net	5	5	(2)
Interest income	4	3	5
Proportionate net income of equity method investments	9	10	7
Other non-operating income/(expenses), net	14	(5)	(5)
Total other income/(expenses), net	**32**	**13**	**5**

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 66, EUR 88, and EUR 114 in 2016, 2015, and 2014, respectively. Foreign source income before income taxes amounted to EUR 969, EUR 158, and EUR 713 in 2016, 2015, and 2014, respectively.

The provision for income taxes consists of the following:

in EUR	2016	2015	2014
Provision for income taxes			
Current tax provision:			
Domestic	9		(3)
Foreign	263	207	200
Total current tax provision	**272**	**207**	**197**
Deferred tax provision/(benefit):			
Domestic	9	(5)	(12)
Foreign	29	34	2
Total deferred tax provision/(benefit)	**38**	**29**	**(10)**
Total provision for income taxes	**310**	**236**	**187**

The difference between the provision for income taxes and the weighted-average tax rate is reconciled as follows for the fiscal years:

in EUR	2016	2015	2014
Tax rate reconciliation			
Income taxed at weighted-average tax rate	300	57	197
Items taxed at other than weighted-average tax rate	15	(41)	11
Non-deductible expenses and other permanent items	13	(52)	(21)
Non-deductible impairment of goodwill		228	
Tax treaty adjustment	(3)	(3)	(13)
Net change in valuation allowance	(1)	55	12
Other, net	(14)	(8)	1
Total provision for income taxes	**310**	**236**	**187**

in millions, except share and per share information

In 2016, 2015, and 2014, 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 2016, 2015, and 2014, the reconciling item "items taxed at other than weighted-average tax rate" includes EUR 6, EUR 41, and EUR 5 positive impact related to the settlement of tax contingencies, and additionally the impact of CICE (tax credit for competitiveness and employment), which is non-taxable.

In 2016, 2015, and 2014, 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 2016, 2015, and 2014, 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 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 2014, the reconciling item "net change in valuation allowance" includes EUR 14 valuation allowance on current year losses and temporary differences in France.

As of 31 December 2016 and 31 December 2015, a deferred tax liability of EUR 12 and EUR 10, 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 2016 and 2015, 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 2016 and 31 December 2015, such earnings amounted to approximately EUR 3,631 and EUR 3,552, respectively. Furthermore, in 2016 and 2015, 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 2016 and 31 December 2015, such earnings amounted to approximately EUR 513 and EUR 336, 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	31.12.2016	31.12.2015
Temporary differences		
Net operating loss carryforwards and capital losses	233	280
Tax credits	10	10
Depreciation	10	6
Deferred compensation and accrued employee benefits	77	77
Allowance for doubtful accounts	13	8
Accrued expenses	95	78
Elimination of intercompany transactions	47	52
Other	13	8
Gross deferred tax assets	**498**	**519**
Unrecognised tax benefits provision, net	(17)	(16)
Valuation allowance	(263)	(268)
Deferred tax assets, net	**218**	**235**
Intangible assets book basis in excess of tax basis	(124)	(127)
Tax amortisation in excess of financial amortisation	(128)	(127)
Undistributed earnings of subsidiaries	(12)	(10)
Investment book basis in excess of tax basis	(34)	
Other		(3)
Deferred tax liabilities	**(298)**	**(267)**
Deferred tax assets/(liabilities), net	**(80)**	**(32)**

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 5 to EUR 263. Included in the change of the valuation allowance is a net increase of EUR 12 due to changes in temporary differences, a net decrease of EUR 9 for current and prior years' losses and a net decrease of EUR 8 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 2016 and 31 December 2015:

in EUR	Balance sheet location	31.12.2016	31.12.2015
Deferred tax assets	Other assets	93	111
Deferred tax liabilities	Other liabilities	(173)	(143)
Deferred tax assets/(liabilities), net		**(80)**	**(32)**

As of 31 December 2016, the Company had approximately EUR 1,191 of net operating loss carryforwards and capital losses. These losses will expire as follows:

in EUR	2017	2018	2019	2020	2021	Thereafter	No expiry	Total
Expiration of losses by year	15	64	12	12	11	566	511	1,191

The largest net operating loss carryforwards and capital losses are EUR 1,096 as of 31 December 2016 in Switzerland, France, Germany, the Netherlands, Belgium, Norway, Brazil, the UK, and the USA. The losses in the Netherlands, Belgium, Switzerland, the USA and Norway begin to expire in 2017, 2018, 2021, 2022, and 2024, respectively. The losses in France, Germany, Brazil, and the UK do not expire. In addition, tax credits of EUR 10 are mainly related to Spain and the USA operations and begin to expire in 2017 and 2018, respectively.

As of 31 December 2016, the amount of unrecognised tax benefits including interest and penalties is EUR 50, of which EUR 35 would, if recognised, decrease the Company's effective tax rate. As of 31 December 2015, the amount of unrecognised tax benefits including interest and penalties was EUR 48, of which EUR 38 would have, if recognised, decreased the Company's effective tax rate.

The Company recognises interest and penalties related to unrecognised tax benefits as a component of the provision for income taxes. As of 31 December 2016 and 31 December 2015, 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 2016, EUR 5 in 2015, and less than EUR 1 in 2014, respectively.

in millions, except share and per share information

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 2014	**73**
Increases related to current year tax positions	9
Expiration of the statute of limitations for the assessment of taxes	(11)
Settlements with tax authorities	(3)
Additions to prior years	6
Decreases to prior years	(2)
Foreign exchange currency movement	3
Balance as of 31 December 2014	**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**

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.

In 2014, the item "settlements with tax authorities" includes cash payments and reduction of net operating losses carryforwards of EUR 3, due to various settlements of contingencies. Furthermore, in 2014, the item "additions to prior years" mainly relates to changes in estimates due to current year audit activity.

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	2014 onwards
Canada	2009 onwards
France	2012 onwards
Germany	2010 onwards
Italy	2012 onwards
Japan	2010 onwards
Mexico	2011 onwards
Netherlands	2011 onwards
Spain	2014 onwards
UK	2013 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:

	2016		2015		2014	
in EUR (except number of shares)	**Basic**	**Diluted**	Basic	Diluted	Basic	Diluted
Numerator						
Net income attributable to Adecco Group shareholders	**723**	**723**	**8**	**8**	**638**	**638**
Denominator						
Weighted-average shares	**170,292,621**	**170,292,621**	**172,526,685**	**172,526,685**	**176,267,821**	**176,267,821**
Incremental shares for assumed conversions:						
• Employee stock-based compensation		233,220		185,529		321,358
Total average equivalent shares	**170,292,621**	**170,525,841**	**172,526,685**	**172,712,214**	**176,267,821**	**176,589,179**
Per share amounts						
Net earnings per share	**4.24**	**4.24**	**0.05**	**0.05**	**3.62**	**3.61**

Stock options of 3,000 in 2014 were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive.

in millions, except share and per share information

Note 16 – Segment reporting

Effective 1 January 2016, the Company realigned its organisational structure to align with the changes in Executive Committee responsibilities. Switzerland, previously considered its own segment, is now part of Germany, Austria, Switzerland; Benelux & Nordics, previously considered two separate segments, were combined; and the Rest of World segments include Australia & New Zealand; Latin America; Eastern Europe and Middle East & North Africa; Asia; and India segments. 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; 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 Vendor Management System (VMS). BPO included 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 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, 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 2016, 89% in 2015, and 90% in 2014 of the Company's revenues. The remaining portion was derived from permanent placement, outsourcing, career transition, and other services.

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2016 segment reporting											
Revenues	4,947	4,672	2,176	2,175	1,897	1,464	1,276	432	3,669		22,708
Depreciation	(19)	(17)	(3)	(5)	(5)	(2)	(4)	(5)	(16)	(9)	(85)
Operating income before amortisation and impairment of goodwill and intangible assets	321	283	47	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)	(14)	(1)	(8)	(7)	(3)	(2)	(3)	(12)	(11)	(76)
Equity method investments	4	123							57	5	189
Segment assets	1,567	2,984	662	1,233	706	315	377	593	1,048	614	10,099
Long-lived assets[1]	249	202	8	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	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2015 segment reporting											
Revenues	4,714	4,670	2,285	2,190	1,815	1,300	1,119	396	3,521		22,010
Depreciation	(19)	(19)	(3)	(6)	(6)	(2)	(5)	(4)	(16)	(14)	(94)
Operating income before amortisation and impairment of goodwill and intangible assets	331	288	60	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)	(15)	(2)	(5)	(4)	(2)	(10)	(3)	(14)	(33)	(97)
Equity method investments	3								49		52
Segment assets[1]	1,365	2,816	695	1,193	647	265	293	508	1,021	793	9,596
Long-lived assets[2]	241	152	12	12	12	9	18	16	77	27	576

1 Due to the adoption of ASU 2015 - 17 – Income Taxes: Balance Sheet Classification of Deferred Taxes in 2016, the 31 December 2015 and 2014 figures were restated to conform to the current year presentation.

2 Long-lived assets include fixed assets and other assets excluding deferred tax assets.

in EUR	France	North America	UK & Ireland	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Lee Hecht Harrison	Other	Corporate	Total
2014 segment reporting											
Revenues	4,640	3,854	2,061	2,114	1,803	1,098	1,032	334	3,064		20,000
Depreciation	(23)	(16)	(4)	(7)	(7)	(2)	(4)	(3)	(16)	(10)	(92)
Operating income before amortisation and impairment of goodwill and intangible assets	280	205	49	115	68	65	57	98	99	(108)	928
Amortisation of intangible assets											(37)
Operating income											891
Interest expense and other income/(expenses), net											(64)
Provision for income taxes											(187)
Net income											**640**
Capital expenditures	(13)	(13)	(2)	(3)	(3)	(2)	(7)	(5)	(13)	(19)	(80)
Equity method investments	3								37		40
Segment assets[1]	1,331	2,445	692	1,817	650	228	262	442	1,043	436	9,346
Long-lived assets[2]	244	141	10	14	21	11	20	13	77	49	600

1 Due to the adoption of ASU 2015 - 17 – Income Taxes: Balance Sheet Classification of Deferred Taxes in 2016, the 31 December 2015 and 2014 figures were restated to conform to the current year presentation.

2 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									
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
2014	4,736	3,672	2,048	1,629	1,034	1,101	436	5,344	20,000
Long-lived assets[1]									
2016	258	205	10	15	17	10	36	77	628
2015	251	155	12	10	18	9	25	96	576
2014	254	145	10	13	20	11	46	101	600

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								
2016	5,500	11,492	2,570	1,100	932	461	653	22,708
2015	5,269	11,097	2,588	1,133	912	407	604	22,010
2014	4,815	10,142	2,337	1,103	778	349	476	20,000

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 228 in 2016, EUR 225 in 2015 and EUR 211 in 2014. Future minimum annual lease payments under operating leases translated using 31 December 2016 exchange rates are as follows:

in EUR	2017	2018	2019	2020	2021	Thereafter	Total
Operating leases	186	126	93	62	35	38	540

As of 31 December 2016, the Company has future purchase and service contractual obligations of approximately EUR 78, 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 2016 exchange rates are as follows:

in EUR	2017	2018	2019	2020	2021	Thereafter	Total
Purchase and service contractual obligations	58	14	5	1			78

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 696, including those letters of credit issued under the multicurrency revolving credit facility (EUR 10). 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 assessment, risk response, and risk monitoring.

The Company's Enterprise Risk Management Steering Committee supports the segments when identifying risks. The Steering Committee has defined 16 overarching 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, change in regulatory/legal and political environment, compliance with laws and disruptive technologies. All identified risk categories have to be assessed by all segments within the Company.

The risk assessment includes the following steps: estimation of the potential risk impact on the financial results, 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 2016.

Note 19 – Subsequent events

The Company has evaluated subsequent events through 15 March 2017, the date the consolidated financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date but prior to 15 March 2017 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, Opfikon

As statutory auditor, we have audited the consolidated financial statements of Adecco Group AG and subsidiaries, which comprise the consolidated balance sheets as of 31 December 2016 and 2015, and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity, and notes hereto (pages 83 to 119), for each of the three years in the period ended 31 December 2016.

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 and subsidiaries as of 31 December 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2016, 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 agent considerations). Judgment is also applied when accruing revenue. Trade accounts receivable represent 42% of the Group's total assets and 115% of the Group's total shareholders' equity as of December 2016. 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.

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. The net realizable value of trade accounts receivable is determined by analyses of specific individual circumstances of a debtor, the aging of receivables, historical collection data and current economic trends. We have audited these assumptions.

Goodwill and indefinite-lived intangible assets

Area of focus Goodwill and indefinite-lived intangible assets represent 34% of the Group's total assets and 93% of the Group's total shareholders' equity as of December 2016. 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 2016 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

André Schaub
Licensed audit expert
(Auditor in charge)

Bruno Chiomento
Licensed audit expert

Zurich, Switzerland
15 March 2017

ADECCO GROUP AG (HOLDING COMPANY)

Balance sheets

in millions, except share and per share information

As of (in CHF)	Note	31.12.2016	31.12.2015
Assets			
Current assets:			
• Cash and cash equivalents		163	248
• Receivables from subsidiaries, net		68	63
• Current financial assets		16	41
• Other current assets		12	7
Total current assets		**259**	**359**
Non-current assets:			
• Loans to subsidiaries, net		2,340	2,377
• Investments in subsidiaries, net	2	9,433	9,340
• Software and other intangible assets, net		24	37
• Non-current financial assets			4
• Other non-current assets		4	4
Total non-current assets		**11,801**	**11,762**
Total assets		**12,060**	**12,121**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Payables			
– to subsidiaries		63	53
– to third parties		5	8
• Current maturities of long-term interest-bearing debt	4	350	350
• Other current liabilities		90	80
Total current liabilities		**508**	**491**
Non-current liabilities:			
• Long-term interest-bearing debt			
– from subsidiaries		7,497	7,232
– from third parties	4	125	475
• Other non-current liabilities		24	26
Total non-current liabilities		**7,646**	**7,733**
Total liabilities		**8,154**	**8,224**
Shareholders' equity			
Share capital	7	171	174
Statutory reserves from capital contribution	7	2	155
Statutory retained earnings	7	407	407
Voluntary retained earnings	7	3,374	3,446
Treasury shares	8	(48)	(285)
Total shareholders' equity		**3,906**	**3,897**
Total liabilities and shareholders' equity		**12,060**	**12,121**

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

ADECCO GROUP AG (HOLDING COMPANY)

Statements of operations

in millions, except share and per share information

For the fiscal years ended 31 December (in CHF)	Note	2016	2015
Royalties and licence fees		387	359
Rebilling to affiliated companies		78	
Dividends from subsidiaries		5	
Interest income from subsidiaries		68	76
Interest income from third parties		1	2
Total income		**539**	**437**
Interest expense to subsidiaries		(77)	(74)
Interest expense to third parties		(13)	(20)
Salaries and social charges		(54)	
Other expenses		(190)	(154)
Depreciation and amortisation		(23)	(45)
Change of provisions on loans and investments, net	2	92	(659)
Financial income/(expenses), net	13	10	(102)
Other income		133	12
Income/(loss) before taxes		**417**	**(605)**
Direct taxes		(2)	1
Net income/(loss)		**415**	**(604)**

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 (Opfikon (Zurich) Switzerland) is the parent company of The Adecco Group. Its financial statements are prepared in accordance with Swiss law.

In 2016, Adecco management & consulting S.A., a wholly owned subsidiary of Adecco S.A. was merged retroactively on 1 January 2016 into Adecco S.A. and a gain of CHF 92 has been recorded in other income as part of the transaction. Additionally, the current and prior year structure of the financial statements have been aligned to the requirements of the merged entity.

Additionally, at the Annual General Meeting of Shareholders of Adecco S.A. held on 21 April 2016, the shareholders approved to move the corporate seat of Adecco S.A. from Chéserex (Vaud) Switzerland to Opfikon (Zurich) Switzerland, and subsequently to amend the corporate name of Adecco S.A. to Adecco Group AG. On 25 April 2016, the corporate seat was moved to Opfikon, and on 28 April 2016, the corporate name of the company was changed from Adecco S.A. to Adecco Group AG.

During 2016, Adecco Group AG had on average 168 full time employees. In 2015, Adecco Group AG did not employ personnel.

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 2016 and 31 December 2015, the investments in subsidiaries amount to CHF 10,595 and CHF 10,600, respectively, and are shown net of a provision of CHF 1,162 and CHF 1,260, respectively. 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 2016 and 31 December 2015

Country	Registered office	Name of legal entity	2016 Ownership & voting power	2015 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[1]	50%	n.a.
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%
Canada	Saint John	Beeline International Company[2]	n.a.	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	100%	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%
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%
Russia	Moscow	Adecco OOO[2]	n.a.	99%
Russia	St. Petersburg	OOO Avanta Personnel[2]	n.a.	1%
Russia	Moscow	Adecco Outsourcing Limited Liability Company[2]	n.a.	1%

Notes to financial statements continued

in millions, except share and per share information

Country	Registered office	Name of legal entity	2016 Ownership & voting power	2015 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	Lausanne	Adecco management & consulting S.A.[3]	n.a.	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[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%	49%
Thailand	Bangkok	Adecco International Consultants Recruitment 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%
Ukraine	Kiev	TOV 'Adecco Ukraine'[2]	n.a.	100%
USA	Wilmington, DE	Adecco, Inc	100%	100%
USA	Wilmington, DE	Talentoday, Inc[1]	23%	n.a.
Vietnam	Ho Chi Minh City	CÔNG TY CỔ PHẦN ADECCO VIỆT NAM[4]	100%	99%

1 New company in 2016.

2 Sold in 2016.

3 Merged into Adecco Group AG in 2016.

4 Increased shareholding in 2016.

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 2016.

Note 4 – Long-term interest-bearing debt

The long-term debt issued by Adecco Group AG as of 31 December 2016 consists of the following:

in CHF	Principal at maturity	Maturity	Fixed interest rate	31.12.2016
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	125
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	350
Total long-term debt				**475**
Less current maturities				(350)
Long-term debt, less current maturities				**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.

4-year Swiss Franc fixed rate notes due 2016

On 8 February 2012, Adecco Group AG issued CHF 350 fixed rate notes with a coupon of 2.125% due on 8 February 2016 (2016 notes). The 2016 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Exchange. The proceeds were used for general corporate purposes. In February 2016, Adecco Group AG settled the 2016 notes at maturity.

Note 5 – Lease commitments

Adecco Group AG has total lease commitments of CHF 10 as of 31 December 2016 of which CHF 2 are due within the next 12 months and CHF 8 are due after 12 months.

Note 6 – Contingent liabilities

The contingent liabilities including guarantees and letters of comfort amount to CHF 2,335 as of 31 December 2016 and to CHF 2,211 as of 31 December 2015.

Adecco Group AG has irrevocably and unconditionally guaranteed the 2024 notes of CHF 536 (EUR 500) and accrued interest of CHF 1, the 2022 notes of CHF 536 (EUR 500) and accrued interest of CHF 1, the 2019 notes of CHF 230 (originally EUR 400 and EUR 214 after bond buyback) and accrued interest of CHF 1, the 2018 notes of CHF 373 (originally EUR 500 and EUR 348 after bond buyback) and accrued interest of CHF 13, 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 12 utilised from the revolving credit facility in the form of letters of credit as of 31 December 2016. Approximately CHF 537 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 95 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

in CHF	Share capital	Statutory reserves: Statutory reserves from capital contribution	Statutory reserves: Statutory retained earnings	Statutory reserves: Free reserves	Voluntary retained earnings	Treasury shares	Total
1 January 2016	**174**	**155**	**407**	**-**	**3,446**	**(285)**	**3,897**
Allocation from statutory reserves from capital contribution to free reserves for dividend distribution		(153)		153			
Dividend distribution				(153)	(255)		(408)
Share cancellation	(3)				(232)	235	
Other movements in treasury shares, net						2	2
Net income					415		415
31 December 2016	**171**[1]	**2**	**407**	**-**	**3,374**	**(48)**	**3,906**

1 Common shares of CHF 171,156,187 at CHF 1 nominal value.

On 21 April 2016, Adecco Group AG held its Annual General Meeting of Shareholders in Lausanne (Vaud).

Conditional capital

As of 31 December 2016, Adecco Group AG had conditional capital under Art. 3quater of the Articles of Incorporation of Adecco Group AG of 15,400,000 shares, for a maximum aggregate amount of CHF 15 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 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 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 2016 and 2015, Adecco Group AG did not issue any shares and no options were outstanding as of 31 December 2016 and as of 31 December 2015.

Statutory reserves from capital contribution

Pursuant to Swiss tax legislation, the statutory reserves from capital contribution amounted to CHF 2 and CHF 155 as of 31 December 2016 and as of 31 December 2015, respectively. Any dividend distribution made out of the statutory reserves from capital contribution (or from free reserves allocated from the statutory reserves from capital contribution) after 1 January 2011 is not subject to Swiss withholding tax. Only capital contributions made after 31 December 1996 qualify for the tax exemption and are classified in the statutory reserves from capital contribution.

In 2016, two dividends for a total of CHF 2.40 per share outstanding totalling CHF 408 (EUR 372), whereof a dividend of CHF 0.90 was allocated from Adecco Group AG's statutory reserves from capital contribution to free reserves and subsequently distributed to shareholders, and a dividend of CHF 1.50 was directly distributed to shareholders from voluntary retained earnings. For 2016, the Board of Directors of Adecco Group AG will propose two dividends for a total of CHF 2.40 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders, whereof a dividend of CHF 0.90 shall be distributed as a reduction of the nominal value of the Adecco Group AG share and a dividend of CHF 1.50 shall be directly distributed from voluntary retained earnings.

Note 8 – Treasury shares

As of 31 December 2016 and 31 December 2015 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 2015	**369**	**5,633,241**	
Purchases	22	319,905	68
Purchased over second trading line (share buyback)	224	3,130,750	71
Share cancellation	(312)	(4,606,873)	68
Utilisation for stock-based compensation settlement	(18)	(316,311)	58
31 December 2015	**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**	

In 2016 and 2015, the number of treasury shares acquired by Adecco Group AG on the regular trading line amounted to 45,000 and 319,905, respectively. The highest and lowest price per share paid for the shares acquired in 2016 amounted to CHF 67 and CHF 61, respectively, and for the shares acquired in 2015 CHF 76 and CHF 59, respectively.

In 2016 and 2015, Adecco Group AG awarded 24,936 and 19,991 treasury shares, respectively, to the Board of Directors as part of their compensation package (refer to section 5.1 "Board of Directors' compensation and shareholding" in the Remuneration Report). In addition, in 2016 and 2015, 240,643 treasury shares and 296,320 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

Adecco Group AG completed the following share buyback programmes in the last three years on a second trading line, subsequently cancelling the shares and reducing share capital:

- EUR 250 announced in September 2013 (completed in November 2014);
- EUR 250 announced in November 2014 (completed in January 2016).

As of 31 December 2016 and 31 December 2015, Adecco Group AG held no shares and 3,130,750 shares, respectively, acquired under the share buyback programmes. Adecco Group AG has acquired 188,000 shares for CHF 12 (EUR 11) in 2016, and 3,130,750 shares for CHF 224 (EUR 207) in 2015, under the share buyback programmes. The highest and lowest price per share paid under the share buyback programmes in 2016 amounted to CHF 66 and CHF 59, respectively, and in 2015 CHF 79 and CHF 59, respectively.

In March 2017, Adecco Group AG launched a new share buyback programme of up to EUR 300 with the aim of subsequently cancelling the shares and reducing share capital.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 21 April 2016, the shareholders approved the cancellation of 3,318,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,318,750 registered shares with a nominal value of CHF 1.00 each. The cancellation of 3,318,750 treasury shares was completed on 4 July 2016. Effective 4 July 2016 the share capital of Adecco Group AG amounts to CHF 171 divided into 171,156,187 shares.

As of 31 December 2016, the treasury shares 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' compensation.

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 and CHF 562 as of 31 December 2016 and 31 December 2015, respectively, 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. Based on information from the share register as of 31 December 2016, on shareholders' disclosures or on other information available to Adecco Group AG there are no shareholders holding more than 5% of Adecco Group AG's share capital.

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 2016**[1]	Shareholding as of 31 December 2015[1]
Rolf Dörig, Chairman	65,469	57,228
Thomas O'Neill, Vice-Chairman	11,680	9,207
Dominique-Jean Chertier	11,098	9,449
Jean-Christophe Deslarzes[2]	2,913	1,057
Alexander Gut	19,343	16,870
Didier Lamouche	4,098	2,449
David Prince	10,987	8,514
Wanda Rapaczynski	13,843	11,370
Kathleen Taylor[2]	2,706	1,057
Total	**142,137**	**117,201**

1 Indicating the number of registered shares held, with a nominal value of CHF 1 each.

2 Became a member of the Board of Directors on 21 April 2015.

Executive Committee's shareholdings

Name	Position	Shareholding as of 31 December 2016[1]	Shareholding as of 31 December 2015[1]
Alain Dehaze	Chief Executive Officer	24,420	22,734
Hans Ploos van Amstel[2]	Chief Financial Officer	5,000	2,000
Christophe Catoir[2]	Regional Head of France	7,019	5,638
Robert P. (Bob) Crouch	Regional Head of North America	9,425	5,103
John L. Marshall III[2]	Regional Head of UK & Ireland	5,014	2,000
Franz-Josef Schümann[3]	Regional Head of Germany, Austria, Switzerland	2,000	
Christophe Duchatellier	Regional Head of Asia Pacific	8,089	5,236
Mark De Smedt	Regional Head of Northern Europe	5,000	5,000
Sergio Picarelli	Regional Head of Italy, Eastern Europe & MENA[4] and India	11,383	7,854
Enrique Sanchez	Regional Head of Iberia & South America	7,738	5,184
Federico Vione	Chief Sales & Innovation Officer	7,220	5,043
Shanti Flynn[3]	Chief Human Resources Officer	5,000	
Stephan Howeg[2]	Chief Marketing & Communication Officer	6,821	5,336
Total		**104,129**	**71,128**

1 Indicating the number of registered shares held, with a nominal value of CHF 1 each.

2 Became a member of the Executive Committee in 2015.

3 Became a member of the Executive Committee in 2016.

4 Middle East and North Africa.

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 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 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

	2016	2015
Foreign exchange gain	65	80
Foreign exchange loss	(57)	(91)
Gain/(loss) from group hedging	2	(91)
Total	**10**	**(102)**

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
Colombia	Bogotá	Adecco Colombia SA	100%	O	COP	111,700
Denmark	Frederiksberg	Adecco A/S	100%	O	DKK	10,002
France	Villeurbanne	Adecco Holding France[4]	100%	H	EUR	602,503
France	Villeurbanne	Adecco France	100%	O	EUR	86,885
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	Boetronic GmbH	100%	O	EUR	27
Germany	Ingolstadt	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	227
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
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 Kingdom	London	Office Angels Ltd	100%	O	GBP	2,657
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	Jacksonville, FL	Accounting Principals, Inc.	100%	O	USD	161
United States	Wilmington, DE	Pontoon Solutions, Inc.	100%	O	USD	<1
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.

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	2016	2015
Voluntary retained earnings		
Voluntary retained earnings of previous years	3,191	4,357
Net income / (loss)	415	(604)
Share cancellation	(232)	(307)
Total available voluntary retained earnings	**3,374**	**3,446**
Dividend distribution of CHF 1.50 per share for 2015		(255)
Proposed dividend distribution of CHF 1.50 per share for 2016	(256)[1]	
Total voluntary retained earnings to be carried forward	**3,118**	**3,191**

in CHF	2016	2015
Statutory reserves from capital contribution		
Statutory reserves from capital contribution of previous years	2	155
Allocation from statutory reserves from capital contribution to free reserves for dividend distribution of CHF 0.90 per share for 2015		(153)
Balance to be carried forward	**2**	**2**

in CHF	2016	2015
Share capital		
Share capital from previous years	174	179
Share cancellation	(3)	(5)
Proposed dividend as a reduction of the nominal value of CHF 0.90 per share for 2016	(153)[1]	
Reduction of the nominal value of CHF 0.90 per treasury share	(1)[2]	
Share capital after proposed reduction of the nominal value	**17**	**174**

1 This represents the amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) of 170,346,804 as of 31 December 2016.

2 This represents the amount of the nominal value reduction based on the total number of treasury shares held of 809,383 as of 31 December 2016, which is not paid in cash but reclassified within shareholders' equity accounts.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Adecco Group AG, Opfikon

As statutory auditor, we have audited the financial statements of Adecco Group AG, which comprise the balance sheets, statements of operations and notes (pages 122 to 133), for the year ended 31 December 2016.

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 2016 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 78% of the company's total assets and 241% of the company's total shareholders' equity as of 31 December 2016. The company performed an annual recoverability test of all significant investments in the fourth quarter of 2016. In determining the fair value 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 impairment test, this matter was considered significant to our audit.

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.

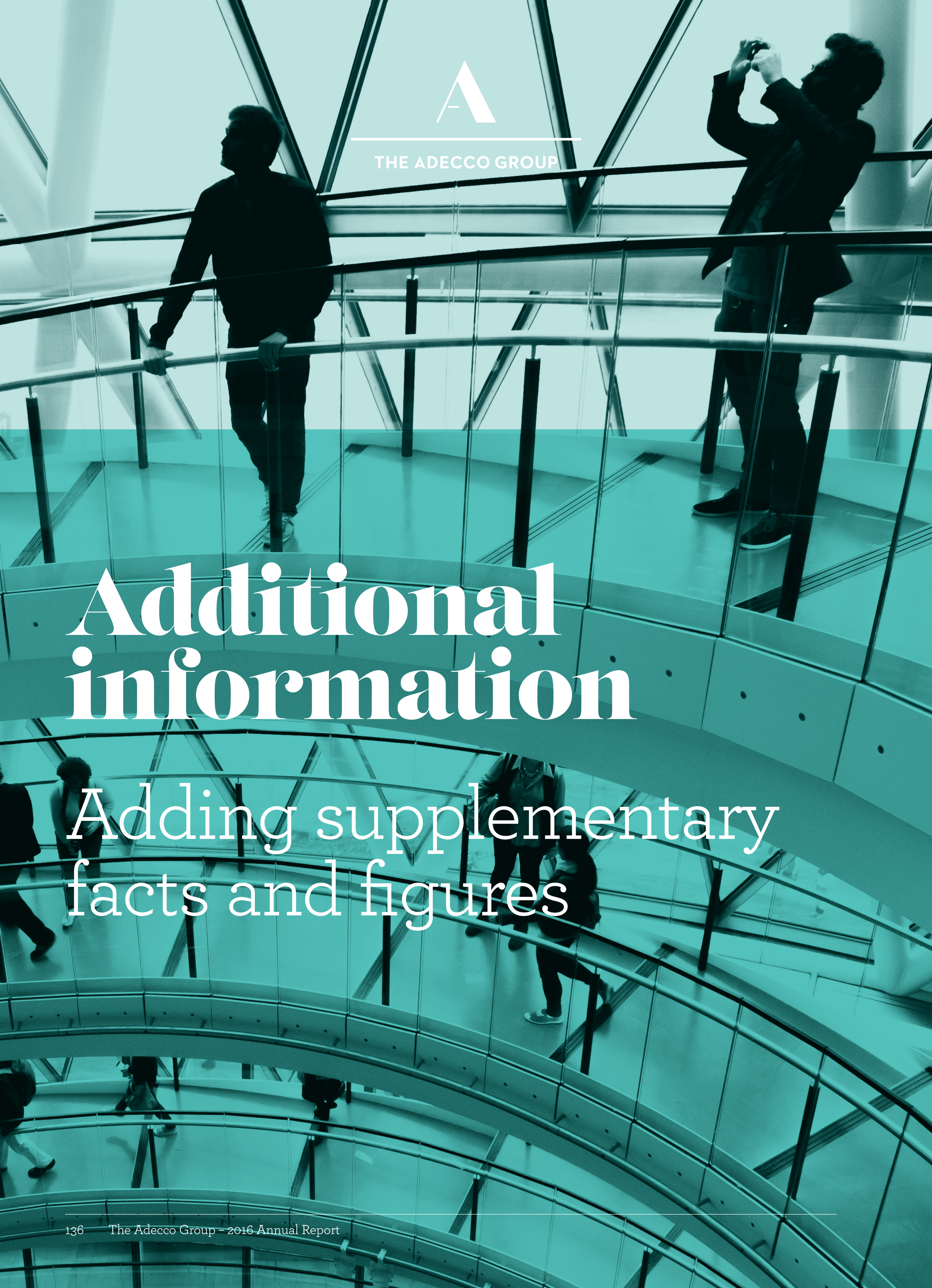
In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

André Schaub	Bruno Chiomento
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zurich, Switzerland
15 March 2017



THE ADECCO GROUP

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 50 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.

Key figures

In EUR millions unless stated	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues	**22,708**	22,010	20,000	19,503	20,536	20,545	18,656	14,797	19,965	21,090
Gross profit	**4,276**	4,179	3,703	3,560	3,674	3,566	3,329	2,649	3,673	3,927
EBITA excluding one-offs	**1,132**	1,147	965	854	813	834	755	402	896	940
EBITA	**1,096**	1,081	928	821	725	814	722	299	908	1,081
Net income attributable to Adecco Group shareholders	**723**	8	638	557	377	519	423	8	495	735
Basic EPS (EUR)	**4.24**	0.05	3.62	3.09	2.00	2.72	2.20	0.04	2.82	3.97
Diluted EPS (EUR)	**4.24**	0.05	3.61	3.08	2.00	2.72	2.17	0.04	2.71	3.80
Dividend per share (CHF)	**2.40**[1]	2.40	2.10	2.00	1.80	1.80	1.10	0.75	1.50	1.50
EBITDA excluding one-offs	**1,217**	1,241	1,057	955	916	927	842	483	980	1,029
EBITDA	**1,181**	1,175	1,020	922	828	907	809	380	992	1,170
Cash flow from operating activities	**687**	799	785	520	579	524	455	477	1,054	1,062
Free cash flow before interest and tax paid	**934**	995	1,013	684	813	651	543	503	1,267	1,302
Free cash flow	**611**	702	705	439	491	415	350	385	948	971
Net debt[2]	**887**	1,039	971	1,091	967	889	748	107	615	864
Shareholders' equity	**3,722**	3,346	3,839	3,557	3,699	3,811	3,567	3,114	2,798	2,880
Organic revenue growth	**4%**	4%	4%	-1%	-4%	10%	12%	-27%	-5%	4%
Gross margin	**18.8%**	19.0%	18.5%	18.3%	17.9%	17.4%	17.8%	17.9%	18.4%	18.6%
SG&A as % of revenues	**14.0%**	14.1%	13.9%	14.0%	14.4%	13.4%	14.0%	15.9%	13.8%	13.5%
EBITA margin excluding one-offs	**5.0%**	5.2%	4.8%	4.4%	4.0%	4.1%	4.0%	2.7%	4.5%	4.5%
EBITA margin	**4.8%**	4.9%	4.6%	4.2%	3.5%	4.0%	3.9%	2.0%	4.5%	5.1%
Dividend pay-out ratio	**50%**	45%	49%	47%	49%	45%	30%	30%	29%	25%
Average number of FTE employees	**33,391**	32,266	31,576	31,329	32,987	32,826	31,279	29,835	36,399	36,661
Days sales outstanding	**52**	52	53	54	54	55	54	53	57	58
Cash conversion	**83%**	87%	105%	80%	100%	78%	72%	125%	141%	139%
Net debt/EBITDA excluding one-offs	**0.7x**	0.8x	0.9x	1.1x	1.1x	1.0x	0.9x	0.2x	0.6x	0.7x
Basic weighted-average shares (millions)	**170.3**	172.5	176.3	180.5	188.4	190.7	192.1	177.6	175.4	185.1
Diluted weighted-average shares (millions)	**170.5**	172.7	176.6	180.8	188.6	190.8	195.6	177.6	184.9	195.3
Shares outstanding at year end (millions)	**170.3**	170.3	173.4	178.1	184.6	170.4	174.7	174.1	174.2	182.6
In CHF, at year end:										
Share price	**66.65**	68.90	68.85	70.60	48.04	39.35	61.25	57.05	35.78	61.25
Market capitalisation (millions)[3]	**11,408**	12,021	12,330	13,362	9,092	7,448	11,592	10,797	6,722	11,592
Enterprise value (millions)[4,5]	**12,357**	13,154	13,495	14,704	10,262	8,515	12,527	10,957	7,688	13,026
In EUR[5], at year end:										
Share price	**62.29**	63.21	57.37	57.40	39.70	32.79	49.00	38.55	24.01	36.90
Market capitalisation (millions)[3,5]	**10,662**	11,028	10,275	10,863	7,514	6,206	9,274	7,296	4,545	6,983
Enterprise value (millions)[4,5]	**11,549**	12,067	11,246	11,954	8,481	7,095	10,022	7,404	5,160	7,847

1 Proposed by the Board of Directors.

2 Due to the adoption of ASU 2015-03 – Presentation of debt issuance costs in 2015, the 31 December 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007 figures were restated. Debt issuance costs, previously shown in "Other assets", are now shown net with their related debt in "Long-term debt, less current maturities".

3 Market capitalisation based on issued shares.

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

5 Exchange rates EUR/CHF 2016: 1.07; 2015: 1.09; 2014: 1.20; 2013: 1.23; 2012: 1.21; 2011: 1.20; 2010: 1.25; 2009: 1.48; 2008: 1.49; and 2007: 1.66.

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