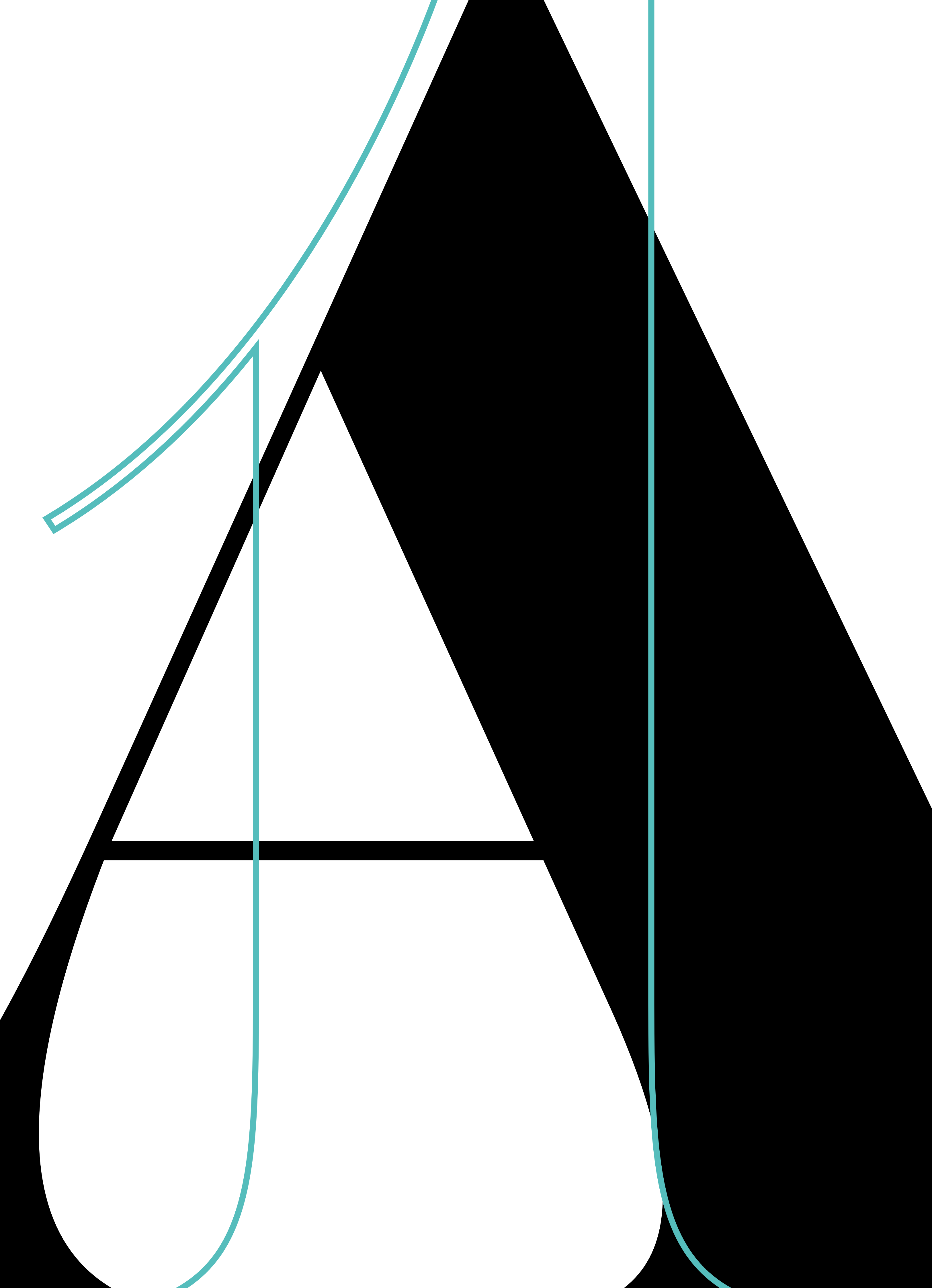


THE ADECCO GROUP

Our mission is to make the future work for everyone, ensuring that people across the globe are inspired, motivated, trained and developed to embrace the future of work. To be in environments where they are empowered to thrive, stimulated to succeed and given every chance to make their individual futures better and brighter than ever before.

360° service offering

Our brand ecosystem

Our 360° brand ecosystem is a key differentiator in today's changing world of work. Through our unique ecosystem, we combine the individual strengths, knowhow and services of our leading network of brands in a one-stop shop, with the workforce and career needs of our clients and candidates at the centre. Our connected approach provides customers with the convenience, simplicity and efficiency of working with one trusted HR solutions partner throughout the work-life and economic cycles. From staffing to outsourcing to upskilling and workforce transformation, the Adecco Group is making the future work for everyone.

Perform

The first step in our strategic agenda is Perform. It means continuing to deliver growth in the cost-disciplined and returns-focused way that we always have. It is intended to create a culture of outperformance across the organisation. It is about how we deliver results, not just the outcome. That means embedding proven formulas such as segmentation, pricing and our 'PERFORM' methodology, which applies a lean manufacturing approach to our operations. It also means acting with urgency to improve underperforming businesses. By Performing, we earn the right to invest in our transformation programme and in our New Ventures.

Segmentation | Pricing | 'PERFORM' | Read the detailed review on page 16

Transform

Transform is about strengthening and future-proofing our core businesses, to drive accelerated growth and improved margins. Leveraging technology across our value chain, from sales to recruiting to middle- and back-office processes, we are increasing the efficiency of our operations while at the same time enhancing the client and the candidate experience. At the centre of Transform is our GrowTogether programme. Its various initiatives are establishing differentiation in our service offering and increasing economies of scale. In 2018, we achieved the first EUR 50 million productivity savings and increased our Net Promoter Score.

GrowTogether | Read the detailed review on page 20

Innovate

With the final pillar of our strategy, Innovate, we are building businesses in attractive adjacent markets, to capture new opportunities in high-growth, high-margin segments. This includes online versions of our offline businesses, such as Adia (staffing) and Vettery (permanent recruitment), as well as businesses such as General Assembly (up/reskilling), which strongly complement our other brands and leverage workforce megatrends. We want to be the digital leader in our industry, disrupting it from the inside by bringing together the best of HR solutions with the best of tech, and leveraging our domain knowledge, data and B2B distribution.

New Ventures | Read the detailed review on page 24

Our strategic agenda is supported by our four strategic focus areas. Find out more on pages 38-43.

Workplaces worldwide are changing, so it's time to push against traditional ways of thinking. There's no longer a norm to conform to. Whatever our business, whatever our sector, we must look to the future and be ready to rise to the challenges. We must familiarise ourselves with the workplace landscape ahead and start building the foundations of the organisational changes it may demand, and the opportunities it will offer.

We are making the future work...

...for clients
page 15

...for candidates
page 30

...for our people
page 46

...for society
page 56

Company report

Corporate Governance

Remuneration

Financial statements

Additional Information

Leveraging opportunities in a changing world of work

Dear Adecco Group shareholders

2018 was a year of significant strategic progress and also some challenges. On the one hand, our teams in the vast majority of countries delivered solid financial performance, and the Group's digital transformation gathered momentum, with the GrowTogether programme delivering its first tangible results. We also strengthened our innovation agenda with the acquisitions of General Assembly and Vettery, establishing a solutions portfolio with a breadth and depth that is unrivalled in the industry. On the other hand, it was a year in which the economic environment became increasingly difficult, and in which our German business was disrupted by the merger of the Group's general staffing operations there.

Group organic revenue growth for the full year was 3% (trading days adjusted); slowing from 5% in H1 to zero in H2, as a result of a material slowdown in European economic growth. EBITA margin excluding one-offs was impacted by a higher level of investment in our New Ventures, declining 40 basis points, to 4.5%. Nevertheless, the underlying margin trend improved through the year, supported by GrowTogether. We again generated good cash flow and ended the year with a strong balance sheet, even after making significant investments and returning more than EUR 450 million to shareholders.

Investing in our digital transformation

The Adecco Group is the global leader in HR solutions, every year helping more than 3.5 million people find employment opportunities, supporting more than 100,000 organisations across 60 countries. We have the most comprehensive portfolio of services in the industry, spanning flexible and permanent employment solutions to apprenticeships and up/reskilling. And we are constantly striving to enhance our offering, as the industry evolves and the world of work changes.

New ways of working are emerging and the concept of the 'traditional' job (i.e. an open-ended contract with a single employer) is becoming blurred, driven by the needs of both individuals and employers. At the same time, talent scarcity is rising, as the gap widens between the skills that workers have and those that the economy needs. These trends play to the core strengths of the Adecco Group and present numerous opportunities. To capitalise on them, in 2017 we embarked on a major investment programme, which continued in 2018. While impacting our results in the short term – 2018 EBITA margin excluding one-offs would be 50 basis points higher excluding strategic investments – it is the right thing to do, to position the business for long-term success.

Indeed, we see a unique opportunity to transform our core operations by optimising, digitising and automating processes; deploying new technologies like robotic process automation and chatbots to both increase internal productivity and improve the client and candidate experience. The GrowTogether programme is already delivering real results with EUR 50 million productivity savings in 2018 and an additional EUR 70 million anticipated in 2019.

We are also investing in our New Ventures. During 2018, we added Vettery and General Assembly to a portfolio that now includes leading platforms in online staffing, digital permanent recruitment, freelance and up/reskilling. These new businesses open up attractive adjacent markets and are establishing the Adecco Group as both the online and offline leader in HR solutions.

Leveraging our scale

As delivery models become more sophisticated, and digital becomes more important, we expect this to favour larger players, such as the Adecco Group. Economies of scale will increase as the business becomes less branch-centric, and technology also creates new opportunities to differentiate our services. We expect smaller players to increasingly struggle to keep up, which should encourage organic consolidation of what remains a highly fragmented industry.

With our deep understanding of complex labour markets, extensive data assets and global distribution capability, as well as our ability to invest and partner with the best players in tech, we are well positioned to capitalise on these industry trends.

Returning capital to shareholders

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

While we invest in the transformation of our business, we remain committed to a progressive dividend policy, with a payout ratio of 40-50% of adjusted earnings per share. We also commit to holding our Swiss Franc dividend per share at least in line with the prior year, even if earnings temporarily decline. And at the end of each year we review our financial position and return excess capital to shareholders. At the AGM on 16 April 2019, the Board will propose a dividend of CHF 2.50, in line with the prior year and representing a payout ratio of 48%.

Making the future work for everyone

The nature of our work means that the impact of the Adecco Group goes far beyond the financial. Every day, in our business and through our social programmes, we help people across the globe to be inspired, motivated, prepared and developed to embrace the future of work. Our goal is to provide security and prospects for individuals and to provide companies with the critical talent and solutions they need to stay competitive. We are a vocal advocate of the need for a new social contract, to reflect the changing nature of employment and guarantee appropriate protections for all. We are also leading the debate on how companies should rethink workforce investment, to address skills shortages and employability challenges.

Through the Adecco Group Foundation we extend our positive impact, focusing on two key areas: work-readiness for the underserved, whose potential is often overlooked, and workforce vitality, finding solutions to nurture a workforce that is healthy, resilient and fit for purpose. Our ambition is to marry social value with sustainable business to create more value for all of our stakeholders.

Looking forward

As we look ahead to 2019 and beyond, we are mindful of the uncertain external environment. Nevertheless, it is not the first time we have faced economic uncertainty and we will steer the business based on our decades of experience dealing with the ups and downs of the business cycle.

We are also optimistic about those factors in our control, as we continue to Perform, Transform and Innovate. GrowTogether is driving true productivity improvement and will increase our customer value proposition. Meanwhile, the New Ventures have made a good start and will support growth and margins in the medium term. We have built a strong foundation to achieve our financial commitments to accelerate structural revenue growth, improve margins, and drive continued strong cash flow.

Dear shareholders, once again, we thank you for your trust and continued support, as we thank our clients, and the associates and employees who work for the Adecco Group worldwide.

Rolf Dörig
Chair of the Board

Alain Dehaze
Chief Executive Officer

Further pro

2018 has been a year of strategic transformation and investment while we continued to deliver solid financial and non-financial performance for our stakeholders.

Organic revenue growth

3%

Growth slowed, as the economic environment became more challenging

EBITA[1] margin excluding one-offs

4.5%

Impacted by investments, regulatory changes in France and German business transformation

Dividend per share[2]

CHF 2.50

Stable year on year and representing a 48% payout ratio

Net debt to EBITDA[4] excluding one-offs

1.0x

Ending the year in a strong financial position

Number of permanent placements

c.130,000

People placed in permanent employment

Number of associates on assignment/day

c.700,000

Provided with flexible employment every day

Great Place to Work® Ranking

5th

Out of more than 7,000 participating companies globally

CEO for One Month applications

204,000+

Candidates attracted by our flagship programme that helps increase the employability and work-readiness of young people

1 EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
2 For 2018, as proposed by the Board of Directors.

gress

THE ADECCO GROUP

Gross margin

18.6%

Positive impact of General Assembly, Vettery, and strong Permanent placement growth

Cash conversion[3]

84%

Strong underlying cash flow even after increased investments in strategic initiatives

Capital returned to shareholders during 2018

EUR 460m

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

Days Sales Outstanding

53 days

An increase of one day year on year

Apprentices and interns trained

11,000+

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

Income taxes paid

EUR 290m

Complying fully with both letter and spirit of the applicable tax laws

IOC Career+ and IPC Athlete Career Programme

4,500+

Athletes engaged in 2018

Win4Youth

8.6m

Converted kilometers, resulting in a donation of CHF 500,000 to Plan International, our global NGO partner

3 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.

4 Net debt to EBITDA is a non-US GAAP measure and is calculated as net debt at period end divided by last 4 quarters EBITA excluding one-offs plus depreciation. Net debt is a non-US GAAP measure and comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

One company, many

Our services

Temporary staffing	Permanent placement	Career transition	Outsourcing
We provide associates to organisations on a temporary basis, providing flexibility to employers and new opportunities to candidates.	We help employers to recruit talent for permanent roles, securing the skills needed for an organisation's ongoing success.	We support organisations and their employees through changes that require individuals to transition out of their existing roles.	We offer flexible HR solutions in which we staff and manage the whole of a labour-intensive activity, such as warehouse logistics, call centre operations, or IT support.

Revenue %

Temporary staffing	Permanent placement	Career transition	Outsourcing
87	2	1	10

Our strategic focus areas and global brands

Workforce Solutions

We provide candidates with generalist skills to small, medium and large clients, mainly through temporary staffing, permanent placement and outsourcing services. Workforce Solutions operates across all sectors, under the global Adecco brand.

Our 'recruitment on demand' online staffing platform operates under the Adia brand, mainly focusing on hospitality and events. Workforce Solutions comprises two business lines:

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

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

Contribution to Group revenues: 76%

Contribution to Group gross profit: 61%

Adecco Adia

Professional Staffing & Solutions

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

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

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

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

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

Contribution to Group revenues: 21%

Contribution to Group gross profit: 28%

BADENOCH + CLARK modis Spring Professional VETTERY YOSS

Our global footprint

Contribution to Group revenues

24%	France	9%	Benelux & Nordics
9%	UK & Ireland	8%	Italy
9%	Germany, Austria, Switzerland	5%	Iberia

More than **34,000** full-time equivalent employees

More than **100,000** clients

Over **700,000** associates on assignment daily

strengths

THE ADECCO GROUP

MSP and RPO

Managed Service Programmes

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

Recruitment Process Outsourcing

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

Talent development

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

Gross profit %

Talent Development & Career Transition

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

Workforce Transformation

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

We help clients transform their workforces, offering talent development and career transition services. Through our upskilling and reskilling solutions, individuals can acquire new skills throughout their careers, enhancing long-term employability.

Training and Reskilling

We offer technical training across a broad range of scarce, high-demand 21st century skills, mainly in coding, data science, and digital marketing, offered under the General Assembly brand.

Contribution to Group revenues: 2%

Contribution to Group gross profit: 9%

GENERAL ASSEMBLY LEE HECHT HARRISON

Total Talent Solutions

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

Managed Service Programmes (MSP)

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

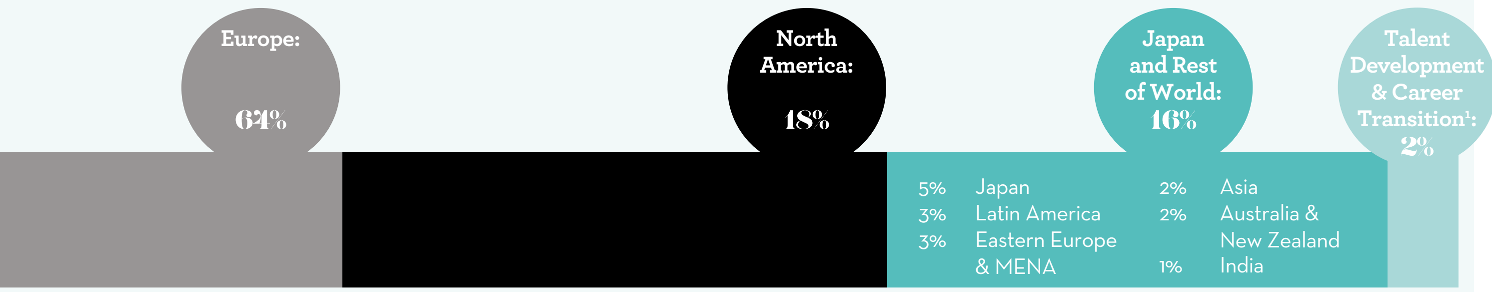
Recruitment Process Outsourcing (RPO)

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

Contribution to Group revenues: 1%

Contribution to Group gross profit: 2%

pontoon



Read more on pages 58-66

1 Talent Development & Career Transition is managed as a global business line.

Performing Transforming Innovating

Looking back on 2018, there is much for our colleagues around the world to be proud of. Significant progress was made in the transformation and digitalisation of the Adecco Group, as we continued to 'Perform, Transform and Innovate'. The investments that began in 2017 and continued in 2018 are now starting to deliver positive results, laying strong foundations for 2019 and beyond.

In 2017, we launched our Perform, Transform, Innovate strategic agenda; a root-and-branch upgrade of our business, to leverage the possibilities of digital in HR solutions. It is a multi-year programme of investment and transformation that underpins our financial commitments: to drive true, structural growth, through the business cycle; to strengthen our margin structure; and to generate sustainable, strong cash flow.

2018 was the second year of this strategic journey, and it was a year of significant progress. The digital transformation of our core business has well and truly begun, and is delivering tangible benefits. Through the GrowTogether programme we are improving the client and candidate experience, and reducing our cost-to-serve, achieving the first EUR 50 million productivity savings in line with budget.

Our innovation agenda also took an important step forward with the acquisition of General Assembly (GA), adding capabilities in up/reskilling that strongly complement our other brands. With Lee Hecht Harrison and GA we are now uniquely positioned to address our clients' urgent workforce transformation needs. And, combined with our existing training businesses, GA further positions us as part of the solution to rising talent scarcity, not just an intermediary.

We also met with some challenges during 2018. The economic growth environment in Europe, where the Group generates almost two thirds of its revenues, became materially less favourable as the year progressed. This led to a significant deceleration in Group organic revenue growth, which slowed from 6% (trading days adjusted) in Q1 2018 to minus 1% in Q4. And, unlike in 2017, when we were able to offset increased investments with strong operating leverage, it proved harder to offset a further rise in investment in 2018, given additional headwinds from regulatory changes in France as well as Germany, and disruption in our German general staffing business. As a result, EBITA margin excluding one-offs declined by 40 basis points year on year.

Overall, we might conclude that the business delivered well on the Transform and Innovate pillars of our strategic agenda but that we did not Perform always and everywhere at the level expected. Achieving the right balance between the strategic priorities is a key focus and we were therefore pleased that, after a more difficult first quarter, execution improved significantly. Despite the difficult external environment, our margin trend improved through the year, in Q4 delivering the first year-on-year margin increase in seven quarters, as returns on investments in the strategic programmes ramped up. This gives us confidence as we enter 2019.

OUR INVESTMENT STORY

Global megatrends are changing the world of work

Employees want to 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 how we deliver our services, and developing and acquiring new capabilities.

We provide innovative solutions that enable employers to flexibly manage their workforces and employees to flexibly manage their careers, while safeguarding security for all in the labour market.

New employment models bring exciting growth opportunities

We are the leading global provider of HR solutions but have only 5% share of our core market and less than 2% share of the addressable market for flexible and permanent HR solutions.

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

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

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

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

Leveraging the workforce megatrends

The world of work is changing, shaped by multiple megatrends. In 2017, we identified six key trends – geopolitical & economic uncertainty; the gig economy; skills imbalances; the new demographic mix; automation, AI & machine learning; and digitisation, big data & analytics – that are driving change in how people live and work, and in the HR solutions industry.

The megatrends are behind several developments that create significant opportunities for the Adecco Group. Firstly, flexible working is becoming more popular almost everywhere around the world. Employers recognise that in a rapidly changing global economy, agility is key. Rigid models of workforce organisation are giving way to more fluid structures that emphasise having the right skills on demand. Meanwhile, individuals are seeking greater variety and autonomy, now often approaching careers as a portfolio of gigs, rather than a linear succession of long-term jobs. This suggests that the EUR 400 billion temporary staffing market and c. EUR 1,200 billion freelancer markets will continue to grow strongly over time. As an expert in flexible labour solutions, the Adecco Group is well placed to capitalise on this trend from a business perspective. We are also playing an active role in advocating change to social welfare systems, to better reflect the way people are working today, to guarantee security for all.

OUR COMPETITIVE STRENGTHS

Some competitors

- Knowledge of complex labour regulations
- Ability to manage large contingent workforces
- Strong brand portfolio

Few competitors

- Global distribution (>100,000 enterprise clients)
- Rich workforce data assets
- Trusted on compliance & data security

Our unique assets

- Widest scope of end-to-end HR solutions (including up/reskilling)
- GrowTogether – a fundamental upgrade of our core solutions, driving differentiation and extending our cost leadership
- Most comprehensive portfolio of digital HR platforms

Talent scarcity is another clear outcome of the megatrends, as rapid technological progress and an ageing workforce combine to create substantial skills mismatches. This too plays to a core competency of the Adecco Group: we already help more than 100,000 clients find hard-to-reach talent across 60 countries and a broad spectrum of skills. These services are likely to remain in high demand as it becomes ever more challenging to find scarce talent.

We also expect the Group to increasingly become a producer of talent, rather than only an intermediary. For many years we have been helping prepare young people for the workforce (e.g. through the Global Apprenticeship Network [GAN] and our own apprenticeship solutions) and helping workers gain new skills as they progress through their careers. Through our VSN brand in Japan, we train hundreds of engineers every year, who then go on to work for our clients. And in 2018, we significantly expanded our re/upskilling capabilities with the acquisition of General Assembly (GA), a pioneer in digital skills education. With GA we are now helping hundreds of clients directly address digital talent shortages, by upskilling and reskilling their workforces to fill persistent talent gaps. With as many as 375 million employees[1] (14% of the global workforce) needing to switch roles by 2030, the need for reskilling is only going to rise, and the Adecco Group is uniquely positioned to help.

Digitisation, big data and advances in artificial intelligence are also transforming the staffing and recruitment industry itself, presenting opportunities to both enhance our traditional services and create new value-added solutions. The Adecco Group is taking the lead, with a comprehensive upgrade of its infrastructure and the launch of a suite of digital platforms and solutions. For example, during 2017, the Group created Adia, a mobile-first, end-to-end platform for employers looking for temporary staff for short assignments. Adia brings the Group's services to clients that could not previously be well served from a traditional branch-based solution, such as in the hospitality and events industry. Developed in partnership with Infosys, Adia illustrates how we are bringing together the best of the HR solutions industry with the best of the technology industry, to provide improved solutions for clients, candidates and associates. During 2018, we further expanded the Group's portfolio of digital solutions with the acquisition of Vettery, an online talent marketplace that helps companies hire top tech, sales and finance talent.

Based on the megatrends, and given our ability to respond and adapt to the changing landscape, the long-term outlook for our industry and the Adecco Group is positive. However, we must not be complacent. We will continue to actively transform our business to strengthen our leadership position. Our long-term strategy will continue to build on the progress made during 2017 and 2018, to capitalise on the opportunities presented by the megatrends and to guard against the risks, allowing us to create more value for all of our customers and broader society.

1. McKinsey Global Institute report

From a fragmented to a more consolidated industry

The Adecco Group is the global leader in HR solutions but we have only 5% market share in staffing and permanent recruitment, due to a long tail of smaller local competitors. Historically, barriers to entry have been relatively low, and larger players have not offered a sufficiently differentiated service, especially in the SME segment that comprises approximately 60% of the market. A local, branch-based delivery model also limited economies of scale.

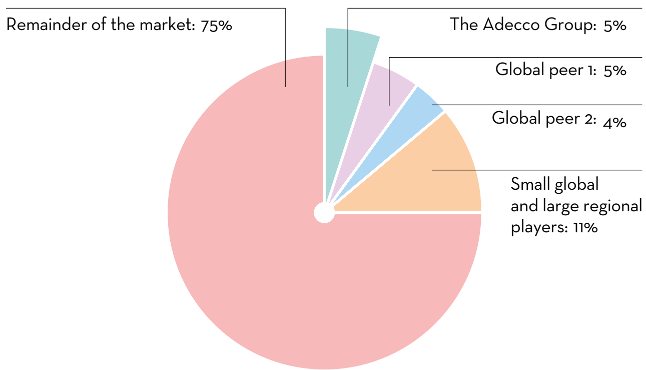
We firmly believe that the drivers of industry fragmentation are now reversing, and that the Adecco Group is well placed to expand its market share. By integrating more technology and digital solutions into our offering we are building differentiation versus traditional competitors. Technology is raising the barriers to entry, with smaller competitors less able to invest in the digital tools required to evolve their solutions 'beyond the branch', and to develop the omni channel delivery models that our clients, candidates and associates expect. Economies of scale are also inherently higher in an industry where online solutions and data-driven insights are becoming more important.

What about new entrants from the technology industry? While the HR-tech landscape is alive with companies with promising ideas, it is established HR solutions partners, such as the Adecco Group, that are most able to leverage new technologies for the benefit of clients and candidates. It is difficult to replicate our broad knowledge of complex labour regulations and customer needs in 60 markets globally. We also have extensive workforce data and deep B2B client relationships. Our ecosystem of brands and solutions allows us to provide holistic solutions to clients, across all of their workforce needs. These are assets that new technology entrants struggle to replicate.

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

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

DIGITAL AND RISING COMPLEXITY WILL ENCOURAGE ORGANIC CONSOLIDATION OF THE HIGHLY FRAGMENTED INDUSTRY



The Adecco Group is the global market leader with only 5% market share

The Group's digital evolution...

- increases economies of scale
- creates opportunities to differentiate
- raises barriers to entry
- allows access to new markets/segments

Strategy into action

We have a clear plan to leverage the megatrends to drive growth and profitability. The ethos of our strategy is Perform, Transform, Innovate. Perform means that we keep delivering growth in a cost-disciplined, returns-focused way, driving out underperformance and deploying our proven strategies of segmentation, Candidate and Client Portfolio Management (CCPM) and the PERFORM methodology, which translates a lean manufacturing approach to the office. By continuing to Perform, we generate strong cash flow to fund our investments and attractive returns to shareholders.

Transform means strengthening our core business, to improve efficiency and create greater differentiation in service delivery, to drive profitable market share gains.

Innovate means capturing new growth opportunities in attractive adjacent markets, for example with our digital solutions. It also means leveraging the strength of our unique ecosystem of brands to offer complete workforce solutions that help solve the talent challenges being faced by our clients and to support our candidates and associates throughout their careers.

The Perform, Transform, Innovate strategy is built around two major strategic initiatives – GrowTogether and New Ventures. Distinct programmes with complementary goals. They focus on driving more value for our customers, while improving the efficiency of our organisation. Behind these programmes, we have had two years of significant investment, which has impacted EBITA margin and limited earnings growth in the short term. Nevertheless, these investments are absolutely the right thing to do and will significantly strengthen the Group in the years to come.

We will continue to invest in 2019 but with returns on our earlier investments increasing, the strategic initiatives are expected to have a net positive impact on EBITA margins of approximately 25 basis points.

Transforming our core with GrowTogether

Our GrowTogether programme, launched in 2017, is at the centre of the Group's transformation agenda. Based on a detailed analysis of our operations, including time-and-motion studies in hundreds of branches and interviews with thousands of clients and candidates, we are reimagining the delivery of our solutions in the digital age, with customer-centricity at the heart. By changing the way we work, and leveraging new technology, our people are able to spend more time with clients and candidates, which is what ultimately drives our success.

The programme spans the full spectrum of our activities, with initiatives and tools focused on sales effectiveness, recruiting efficiency and middle- and back-office process optimisation.

GrowTogether is now scaling up and delivering real results in the markets where it is most progressed, such as the US, UK and France. In 2018, it delivered the first EUR 50 million productivity savings, in line with the target, and in 2019 we expect a further EUR 70 million savings. In addition to the cost savings, we are further differentiating our solutions, building a digitally-enabled offering that will support future growth.

Examples of successes in 2018 included the further roll-out of the 'Adecco & Moi' candidate mobile app in France. Now in use by more than 150,000 associates every month, it allows seamless management of assignments, removing the majority of manual processes and paperwork related to time-sheets, payroll and legal documentation. It thus improves associate engagement while also reducing administration in our branches. Our experience in developing the candidate app in France is now providing the blueprint for other markets.

Meanwhile, in North America and UK General Staffing, we rolled out a new, advanced Customer Relationship Management solution, consolidating multiple legacy platforms. Delivering faster and better quality candidate matches, and reducing administrative activities, this has significantly increased consultant productivity in our branches, driving robust margin improvement in the second half of 2018.

We were also pleased by the impact that GrowTogether is having on our Net Promoter Score, which in 2018 improved to 15.

A STRONG DIGITAL PORTFOLIO: ONLINE PLATFORMS AND SKILLS DEVELOPMENT

Digital Platforms

We have established leading digital platform businesses that focus on the three most relevant areas of HR solutions: Staffing, Permanent Recruitment and Freelance/Contractor.

Adia	VETTERY	YOSS
Staffing	Permanent Recruitment	Freelance
Co-created with Infosys		Co-created with Microsoft

Digital Skills

The addition of General Assembly to our ecosystem is a game-changer.

GENERAL ASSEMBLY

Upskilling and Reskilling

New Ventures open attractive new markets

With New Ventures, we are creating solutions and providing services that are complementary to our existing portfolio and where we can build real competitive advantage. Our approach combines co-creation with leading technology companies, such as Infosys and Microsoft, scaling up existing internal projects and also value-enhancing buy-and-build acquisitions.

Over the course of the last two years, the Group has expanded its solutions portfolio, organically and via targeted M&A, to include leading platforms in online staffing (Adia), freelance (YOSS), digital permanent recruitment (Vettery) and re/upskilling (General Assembly). These are high-value, high-growth businesses that already have a positive impact on Group gross margin, despite being still a small share of the total business today.

Each of the ventures is at a different stage of maturity but all have the potential to be meaningful contributors to Group profits in the medium to long term. Our focus is on building value, not short term profitability, which means we will remain in a net investment phase, as we scale up Vettery and GA, and further develop Adia and YOSS.

We believe that we have a clear right to win in these new areas of the market, being able to draw on the experience and resources of our traditional businesses to scale faster. And the new ventures also help us improve our core business. For example, GA is already working with Lee Hecht Harrison, to evolve its leading career transition offering into a solution able to offer true end-to-end workforce transformation. We are also utilising technology in use at Adia to improve processes in the Adecco business, for example, relating to workforce scheduling and associate onboarding.

Leveraging synergies between our brands

The combined power of our businesses and brands is brought to life through our ecosystem. It sets us apart from the competition and stands out in the minds of our customers. It allows us to create customised solutions to meet our clients' and candidates' needs, throughout the economic and work-life cycles.

The ecosystem model provides unique synergies, efficiency and flexibility, as a convenient one-stop shop, delivering a truly 360° service offering. For example, co-ordinated through a single global advisor, a tech client can reskill its workforce with General Assembly, facilitate career transitions with Lee Hecht Harrison, build a bespoke project team solution through Modis, and receive support for all its general staffing needs from Adecco.

A future that works for everyone

In an uncertain and fast-changing world, shaped by technological advances and artificial intelligence, it is important not to lose sight of the humanity at the heart of every business' operations. 2018 saw the 70th anniversary of the Universal Declaration of Human Rights, and the universality of its values of equality, inclusiveness and dignity remain as relevant today as ever before. We believe as the world and the nature of employment change, it is important that the social and political environment adapt to reflect these changes, to ensure that nobody is left behind.

We believe that businesses like ours have a role to play in creating this change, lending their expertise and resources. As the global leader in HR solutions, we see it as our duty to set an example for sustainability and social value creation in our industry, and beyond. In 2018, the Adecco Group launched a new global sustainability framework. It sets us on course to fully integrate sustainability across all our brands and countries in the next few years.

Sustainability is a strategic choice about how we conduct our business and generate our profits. By interlinking the business with sustainability, we can better serve our long-term commercial interests and enhance our value proposition to our stakeholders, while respecting people and the planet.

Our focus is on those factors that are most material to us as a business and to our stakeholders, and where we can make the biggest positive contribution. Our vision is for everyone to have the right skills to gain, or maintain, access to the world of work. In response, we are training and educating more people than ever before, expanding our capabilities in up/reskilling, in-work training and apprenticeships. We also want to be the employer of choice for associates and colleagues alike, and to enable wellbeing, livelihoods, and the right balance between flexibility and security. This is what drives our advocacy for a new social contract for work in the 21st century. One that provides security for all and recognises the new ways of working that are becoming more and more common. By working together with international and national institutions to shape and guide policies and standards, we help expand opportunities for all employees and grow the prosperity of society as a whole.

OUR COMMITMENTS TO DELIVER BY 2020

Leading total shareholder return

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

Through the Adecco Group Foundation, we extend our positive impact, focusing on work-readiness for underserved populations and workforce vitality. Our flagship programmes, CEO for One Month and Win4Youth, highlight our commitment to these causes, and illustrate one part of how the Adecco Group positively contributes to society.

For us, this is not a one-off effort. Embedding sustainability in all we do is a journey and a long term process. We are committed to playing our part. We will continue to challenge ourselves, and others, to push boundaries and strive to be at the forefront of delivering better futures for all. By living up to our purpose and values, and mainstreaming them into how and why we conduct our business, we can and will be a driver of positive change in the world of work.

Looking ahead

As we begin 2019 we remain focused on achieving the right balance between the Perform, Transform and Innovate pillars of our strategy, to create more value for all our stakeholders.

Our core business is cyclical and we are therefore monitoring the economic outlook carefully. We illustrated in the second half of 2018 that we can be agile in adjusting our cost base to a lower revenue growth reality, and we will continue to do so in 2019. The diversity of our business also provides some protection, especially our counter-cyclical career transition business, Lee Hecht Harrison.

While the external environment is undoubtedly more challenging than it was 12 months ago, internally we are stronger, thanks to the significant progress made during 2018. We will continue to invest in our strategic initiatives during 2019 but we are now coming out of the net investment phase, with returns on earlier investments ramping up. The GrowTogether programme is reaching more parts of the business, in more countries, with an incremental EUR 70 million of savings targeted in 2019, bringing the run-rate SG&A reduction to EUR 120 million per annum. This will add around 25 basis points to EBITA margin excluding one-offs, in 2019, all else being equal.

We will continue to help our customers, candidates and associates navigate, adapt and succeed in the changing world of work. We also remain committed to building an open and inclusive working environment for our colleagues, where trust and reward go hand in hand with hard work and achievement. We were very proud to once again be named in the top five best workplaces in the Global Great Place to Work® survey in 2018.

A focus on people and human interaction is at the centre of our business and at the core of our strategic approach. Our ambition is to marry social value with sustainable business to create a compelling driver of differentiation and innovation, and sustainable value for all our stakeholders.

Despite the current economic and geopolitical uncertainty, we begin 2019 optimistic about the future. Whatever the short-term trends, the investments that we have made, and continue to make, will leave us well positioned for the long term. By delivering Performance, Transformation and Innovation, we will support our financial commitments to our shareholders and our commitment to make the future work for everyone.

Alain Dehaze
Chief Executive Officer

DELIVER ATTRACTIVE SHAREHOLDER RETURNS WHILE INVESTING FOR THE FUTURE

Invest in profitable growth

Committed to investment-grade credit rating

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

Exploit buy-and-build M&A opportunities

Return excess cash to shareholders

"Not only are the satisfaction rate scores excellent, but the measurement of skills before and after shows the high impact of the GA courses on our employees."

Nathalie Dore,
Chief Digital & Acceleration Officer,
BNP Paribas Cardif

For our clients

As more and more companies realise the value in investing in the up/reskilling of their existing workforces to adapt to the demands of a rapidly-changing world of work, the Adecco Group's recently acquired, leading 'in-demand skills' education brand General Assembly (GA) has partnered with international insurer BNP Paribas Cardif to train 1,200 of its employees in Paris and beyond over five years, or by 2022.

Nathalie Dore, BNP Paribas Cardif Chief Digital & Acceleration Officer, says the company is adopting an agile approach to workforce management and is "starting to act as a learning company". Dore praises the progress and impact of the employee training partnership with GA after just six months.

For the France-based company, working with GA is not just an investment in the future performance of their teams and business, but also represents a meaningful and positive contribution to the future of the French and global economy, by helping to address new skills and talent scarcity created by digital transformation.

Country Head The Adecco Group Switzerland, Nicole Burth, explains how Perform is the foundation for the successful implementation of our strategy.

"We intended to create and embed a culture of outperformance across the organisation."

Nicole Burth,
Country Head
The Adecco Group Switzerland

Perform

Perform means continuing to deliver growth in the cost-disciplined, returns-focused way that we always have. It is about how we deliver the results, not just the outcome. That means embedding proven concepts such as segmentation, permanent recruitment and the PERFORM system. By Performing we earn the right to invest in our Transformation and New Ventures.

Q What have been the key drivers of outperformance in Switzerland in 2018?

A The 2018 performance is the outcome of changes made as far back as 2016. That was when we first deployed segmentation in Switzerland. It meant moving large customer activities out of the branches – to be delivered as either onsite solutions or from 'hub-sites' – leaving the branches to focus primarily on retail (SME) clients. Doing so has two clear benefits. First, it allows our consultants to become specialised, which leads to a more tailored and improved customer service. Second, it means we have the right cost-to-serve for each segment, to achieve appropriate returns.

Once we have segmented the client base we can deploy CCPM (Candidate and Client Portfolio Management), which provides a framework for managing the client and candidate pipeline and portfolio, with clear goals and activity KPIs specific to each segment. This in turn allows for a much more structured and data-driven approach to the performance management of our salespeople and recruiters, meaning we can learn from our top performers and intervene earlier to support colleagues who are underperforming. Moving from unspecialised roles in full-service branches to a segmented approach with CCPM is a major change management exercise. We finished mid-2017 and really started to see the benefits in 2018, with organic growth accelerating and our retail business outperforming.

Another key driver of performance has been an increased sophistication in our pricing policies. In Switzerland the unemployment rate is low and sourcing candidates can be a challenge. It is therefore important that our pricing reflects the extra work that our consultants do, and the value being delivered. During 2018, we rolled out a pricing module in our front-office tool that considers multiple variables and historical data to propose an appropriate price for a given placement, which supported an improvement in gross margin.

We have also been successful in diversifying outside of traditional temporary staffing solutions, particularly into outsourcing. Many clients are looking for full human capital solutions, which can mean taking over the entirety of a labour intensive aspect of a their operations. We can help clients scale faster than they otherwise could, ensuring that availability of qualified people is not a constraint.

Q How do you balance the need to invest with the need to deliver short term performance?

A In Switzerland we have really embraced OGSM (Objectives, Goals, Strategies, Measures; the Adecco Group strategic planning framework) to clearly set the long term direction of the business. We cascaded the concept down to the branches, so that everyone knows what their strategic priorities are over the short, medium and long term, and how we will deliver them. We assess our people according to whether they are delivering the results but also how they deliver the results. Are we building long term capability in the business?

One of the medium term priorities was to grow our permanent placement business. That required upfront investment to hire and train dedicated perm consultants, which negatively impacted margins in the short term. But it has paid off, with 30% organic growth in perm in 2018, which improves our mix and increases gross margin.

Another area where we have invested is in IT. We completely upgraded our front-, middle- and back-office systems during 2016 and 2017. This had a financial cost and also created some distraction for the business, as our people needed to learn new platforms and processes. However, it was the right thing to do, with the performance in 2018 partly a consequence of that. And the newer tools are designed and implemented in such a way that we can upgrade and improve continuously.

Q Why is Net Promoter Score an important metric for the Adecco Group?

A The industry has historically not scored highly in terms of Net Promoter Score (NPS). That is partly because of the nature of what we do; for every successful candidate there are many more that did not get the job. How we treat those people is key, as we want them still to take away a positive experience.

We view creating a truly customer-centric organisation as a real opportunity to improve our value proposition and differentiation versus competitors. As a starting point, we mapped the whole client and candidate experience through a touchpoint analysis, identifying what really matters and where the pain points typically are. We then determined best practices to be followed at each step, to achieve more 'wow' moments for customers. We test different approaches and measure the outcomes with NPS, constantly learning and improving based on the feedback from our customers.

Every branch has an NPS target for both clients and candidates, and this forms part of their annual bonus calculation. It is also not just customer satisfaction that matters in our industry. Colleague engagement and satisfaction is also key; our people are our most important asset. We carry out quarterly colleague surveys and participate in the public Great Place To Work survey, to get valuable, anonymous feedback and to measure our progress. I am pleased to say that in Switzerland both our NPS and GPTW results improved in 2018.

Performance management framework

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

Non-financial performance indicators

- Great Place to Work® ranking — KPI
- Net Promoter Score — KPI
- Number of clients
- Number of candidates
- Risk scores
- Compliance training
- Sustainability impact

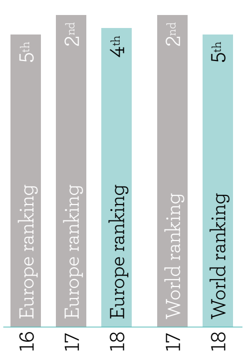
Financial performance indicators

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

Key performance indicators

Great Place to Work® ranking

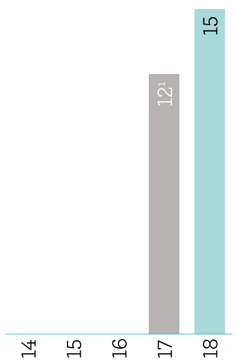
5th



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

Client Net Promoter Score

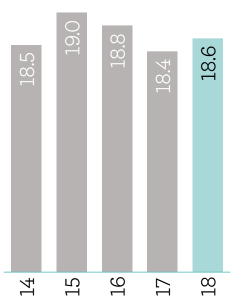
15



Transformation and Innovation will drive improved client experience

Gross margin

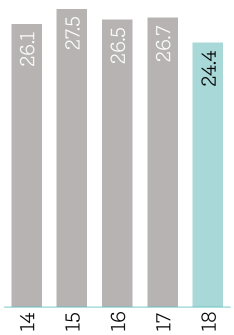
18.6%



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

Conversion ratio[2] excluding one-offs

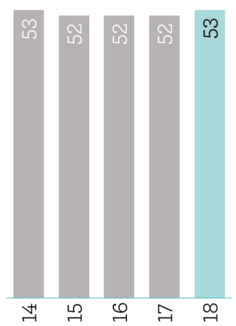
24.4%



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

Days Sales Outstanding

53 days



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

1 Reported for the first time in 2017 report. In 2017, NPS was calculated as the average of H1 and H2 surveys. In 2018, only one NPS survey was performed, during H2. On a comparable basis, the year-on-year improvement in 2018 was +5 points.

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

Financial results

Revenue growth	Target
EBITA margin	Target
Cash conversion	Target
Interest and tax paid	

Free cash flow

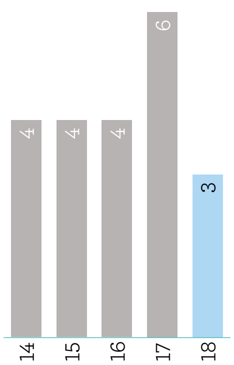
Financial outcomes

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

Financial targets

Organic revenue growth

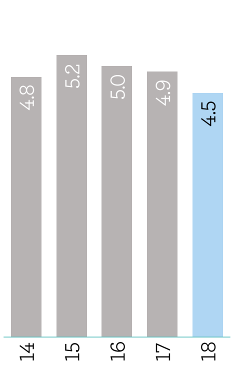
3%



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

EBITA margin excluding one-offs

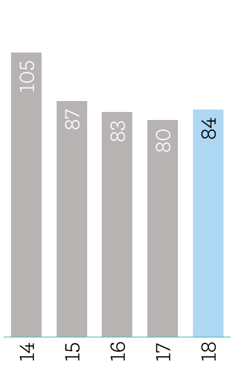
4.5%



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

Cash conversion

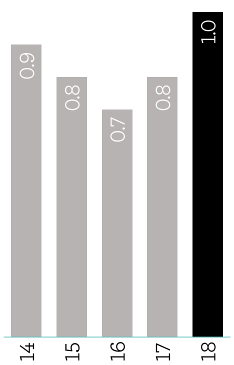
84%



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

Net debt to EBITDA excluding one-offs

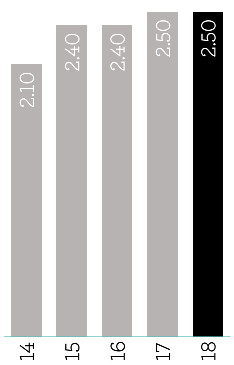
1.0x



Including acquisitions of General Assembly and Vettery, partly funded by sale of stake in Beeline

Dividend per share

CHF 2.50



Stable year on year, consistent with our capital allocation policy

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

“Everything we do should be focused on the creation of additional value for customers.”

Christophe Catoir,
Regional Head of France

Regional Head of France, Christophe Catoir, provides a detailed insight into our plans for ‘Transform’ and GrowTogether.

Transform

Transform describes how we are strengthening our core businesses, driving growth by enhancing client and candidate experiences, and expanding into new segments. We are also transforming our cost structure, improving productivity, by leveraging technology and digital solutions.

Q What is the GrowTogether programme?

A GrowTogether is at the centre of the Group's transformation. It is a structured programme that combines several initiatives focused on strengthening our core business. With GrowTogether we want to increase our customer value proposition and at the same time reduce our cost-to-serve, supporting both market share growth and profitability. Digital tools are an important aspect of GrowTogether. However, the programme is not only about technology but rather represents a broader transformation, with digital as an enabler.

Indeed, GrowTogether begins with customer-centricity. Everything we do should be focused on the creation of additional value for customers. That means optimising and then automating processes wherever possible, reducing administrative and low-value tasks to empower colleagues to spend more time with clients and candidates. It also means making it easier to do business with us, creating an omni-channel offering that includes mobile and online tools that augment the branch-based experience. Finally, GrowTogether means developing new solutions that address the changing needs of our clients; for example, new forms of flexibility and outsourcing solutions.

Q How are you leveraging digital in the roll-out of GrowTogether in France?

A The digital agenda of GrowTogether is focused on three key areas: sales effectiveness, recruiting efficiency and middle- and back-office process optimisation. These are the core activities on which our colleagues spend the most time and where we can unlock the biggest productivity improvements through technology.

Addressing recruiting efficiency and administration, France has pioneered a new candidate mobile app, Adecco & Moi. It allows associates to manage their availability, search for and accept jobs, and handle the majority of administrative tasks. More than 150,000 candidates use the app every month, freeing up time for our colleagues and at the same time being more convenient for the candidates. The pilot in France is now providing the basis for a global roll-out.

We also launched a client portal, Mon Agence en Ligne, to improve sales effectiveness. Customers can place orders 24/7, rather than being constrained by branch business hours.

And in our middle- and back-office, we are in the process of digitising the more than 30 million hard-copies of documents that we issue every year, reducing administration and printing costs. By the end of 2018 we had digitised more than 20 million.

Digital initiatives also include: AI chatbots, to perform initial candidate screening; workforce scheduling tools that improve fill rates and increase efficiency; and data analytics to improve our sales processes.

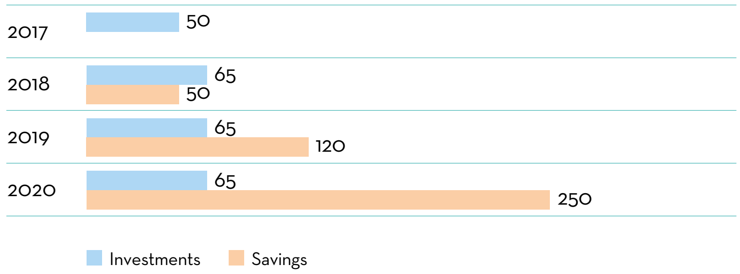
Q Other than with technology, how else is France Transforming?

A Our clients' needs are always changing and our job is to not just keep up but to be ahead of the curve. It is our people at the 'coal face', dealing with candidates and clients every day, that are best placed to assess customer needs. So we invested in creating a culture of ownership, to encourage our consultants to suggest ways that we can add more value.

A key challenge faced by our clients is a shortage of qualified talent. We therefore created the Grande École de l'Alternance, through which since 2016 we have provided training to more than 10,000 candidates that we then place with our clients. Thus we help create the talent, not just find it. Adding General Assembly further strengthens our capabilities here.

In France we are also diversifying from traditional temporary staffing. Clients need various forms of flexibility that also includes outsourcing, CDII (temps with open-ended contracts) and freelance. These are higher-value activities where we have built strong market positions.

GrowTogether investments and savings realised/targeted per year in EUR m



GrowTogether

Objective

To strengthen the core of our business

Goal

- Accelerate profitable growth
- Improve client & candidate experience
- Enhance productivity

Measure of success

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

THE ADECCO GROUP

GrowTogether

A unique opportunity to differentiate by offering an outstanding experience to our customers.

Placing better candidates, faster. This is the promise of GrowTogether, our four-year Transformation journey.

It requires us to deeply transform the way we work, from an organisation, process and tool perspective to drive stronger performance.

GrowTogether answers 3 questions:

1

Sales effectiveness
How to reduce Cost-To-Serve and increase Order Fill Rate?

2

Recruitment efficiency
How to find the right candidate, faster?

3

MO/BO optimisation
How to industrialise business support activities?

GROWTH & EFFICIENCY

13% completed

- CRM with our client portal to improve client experience, live in Nordic Countries.
- Analytics with predictive insights, to support our Spring business in France for instance.
- Dynamic pricing to better reflect our differences on the market, for example in Germany.

15% completed

- Candidate portal, with our global app live in France and the Nordics.
- Automated delivery, with the roll-out of a planning tool for our onsite business.
- AI bots, especially in the US, to transform our candidate experience during the screening phase.

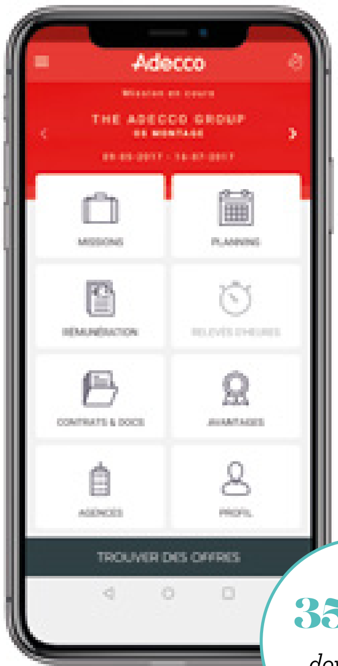
35% completed

- Time Capture, live in most European countries.
- Time Interpretation, which has seen a strong improvement in the Nordics and Japan.
- Paperless, with significant progress globally (eg. e-filing, e-signature).

We achieved a lot in 2018, especially in the candidate and middle-office space. We are on track to deliver our 2019 agenda, to scale our Transformation across the overall value chain.

GrowTogether – France

Improving recruiting efficiency through Adecco & Moi, a candidate mobile app



350k+ *downloads in one year*

150k *monthly active users*

Adecco & Moi has 26 functionalities including:

- availability management
- job search, offers and applications
- e-contracts & e-signature
- assignment information
- timesheets management
- absence and delay reports
- payslips
- aloha chatbot

GrowTogether – UK

Introducing CONNECT, a new integrated front office solution, to simplify processes and drive high performance

	Old	*Connect*	*Benefits*
1 **Sales effectiveness**	Multiple outdated legacy systems	Single Salesforce-based CRM	Focus on client-facing activities Improved sales with FTE reallocation into revenue-generating roles
2 **Recruiting efficiency**	Disjointed candidate databases	Full candidate visibility, powerful search and match tools	20% increase in time allocated to recruitment activities Addition of 3,000+ new candidates per week
3 **MO/BO optimisation**	Lots of manual processes and administration	Administrative tasks reduced and moved out of branches	Timesheet digitisation Saving 30% of branch time previously focused on admin and payroll activities

Q How is the Adecco Group's approach different to its competitors?

A On the technology side, our approach is broader and goes deeper than most. GrowTogether comes from an in-depth study of more than 100 branches and interviews with hundreds of clients and candidates. We really mapped the value chain and at each stage looked at how technology could be leveraged to add more value for customers and improve our organisational efficiency.

By co-creating and collaborating between countries, we make it easier to cut-and-paste successes from one market to another. That drives economies of scale and means we can leverage the investments we make globally. And because of our size, we can partner with technology leaders to create solutions that are not available off-the-shelf.

Another way that the Adecco approach is differentiated is in the way that we mix economic purpose with a strong social purpose. In France, we invest more in training, apprenticeships and CDII than anyone else. Every year we help more than 9,000 people from disadvantaged groups get back into the labour market, providing coaching and development. This is increasingly important for our clients and helps position Adecco Group as an employer of choice with candidates, securing the best talent.

GrowTogether is already having a very positive impact on performance in France. Our product mix is improving, with almost 25% of gross profit coming from solutions other than traditional temp staffing. Consultant productivity is increasing, with sales per FTE rising in 2018, despite the slowdown in market growth in the second half. And we also see a positive impact on both Net Promoter Score and our Great Place To Work® rankings.

Founder and CEO of Adia, Ernesto Lamaina, describes the Adecco Group's exciting programme of innovation and new ventures

"Providing our candidates and clients with a great user experience is our primary focus."

Ernesto Lamaina,
Founder and CEO of Adia

New Ventures

Objective

- Add new profitable business

Goal

- New adjacent revenue streams
- Enhance Group margins
- Become the global leader in digital HR solutions

Measure of success

- Revenues from new markets
- Client and candidate Net Promoter Score
- Long-term margin enhancement

Innovate

With the final pillar of our strategy, Innovate, we are building businesses in attractive adjacent markets; capturing new opportunities in high-growth, high-margin segments. We intend to be the digital leader in our industry, disrupting it from the inside by bringing together the best of HR solutions with the best of tech. We do this by leveraging our domain knowledge, data, B2B distribution capabilities, and partnering with leaders in technology.

Q How was Adia created?

A In 2015, I was working on an on-demand start-up business that I had co-founded. I heard about the Adecco Group 'CEO For One Month' programme and thought it could be a great learning and networking opportunity, so I applied. I was chosen to shadow the Italy CEO, who at the time was Federico Vione, and he asked me to become his assistant as he moved into the new role of Chief Sales and Innovation Officer for the Group, based in Zurich. I thought I could learn more from him than by doing my start-up, so I accepted.

Soon after starting we saw an incredible opportunity in the market – to create a digital platform to improve user experience in staffing and disrupt the industry from the inside. We recognised that as part of the Adecco Group we could leverage assets that other start-ups in the space could not. But we also saw that we did not have the technology capability in-house, so we would need a capable partner to be able to move fast and remain agile. That is how we started a co-creation programme with Infosys such that we could leverage the staffing know-how from Adecco, the tech know-how from Infosys, while the Adia team could focus on redesigning the full user experience in an innovative way.

That was in 2017, and by 2018 we were live in three countries – Switzerland, the UK and the US – with a product that is leading the way in online staffing.

Q How is the Adia model different?

A Instead of trying to replicate an offline staffing experience in an online format, we started from the user experience perspective and asked: if I was a client or candidate, what would I want and expect? Everyone has these great online experiences as consumers that so often are not replicated in the B2B space. We wanted to change that.

The full user journey is designed to optimise the user experience of our workers and clients. Workers are able to handle their entire staffing experience using their smartphones: creating a profile, picking up shifts, getting paid become very simple and intuitive activities that can be done anytime and anywhere. Clients are able to book workers at a time that is convenient for them, using their smartphone or laptops, rather than being dependent on office opening hours. They have full control and transparency over their orders.

We are delivering 10x improvements for users. For example, our candidate onboarding in the US takes two minutes, compared to 25-30 minutes for a traditional staffing business. We have been able to streamline the process and then optimise it using technology. And these kinds of gains are important because otherwise you will have candidates dropping out of the enrolment when they didn't have time to complete it or they lost interest. On the client side, it takes less than one minute to create your first order, and we then will make suggestions for future orders, moving closer to a 'one-click' experience. We can see that this has a positive impact on our standing with workers and clients, achieving Net Promoter Scores that are consistently higher than traditional staffing businesses, averaging between 30-50 points.

We also have a differentiated offering compared to other online staffing businesses. Many of these start-ups offer 'search and match' only, whereas we offer a full temporary staffing solution. Many also only focus on a single vertical, which means fewer opportunities for workers. And we have market-leading technology, which is evidenced by our app store ratings, which are the highest in the sector.

Q What are the advantages and disadvantages of being part of the Adecco Group?

A We often talk about the three D's – Domain knowledge, Data, and Distribution – as being the unfair advantage that being part of the Adecco Group brings. What do we mean by that? Domain knowledge means understanding complex labour markets in a way that comes only from decades of experience. Staffing is a highly regulated market, where back-office functions are as important as the customer-facing part. At Adia, we get access to real-world case studies and the most updated legal frameworks and recommendations. We can accelerate our learning and avoid a lot of the mistakes that we might otherwise make.

We also get access to a lot of workforce data. That helps us make better-informed strategic decisions, and can also help improve the technology, for example by making our matching algorithms smarter or providing insights on how to build marketplace liquidity. And the Adecco Group brand name opens doors. We get credibility and exposure to clients that otherwise would be hard to access as a standalone start-up. When I look at our business in Switzerland, a significant portion of that business has come from introductions from Adecco. We get the possibility to test our assumptions on a greater scale than a normal start-up would be able to.

There are some disadvantages too, the biggest one being the flip-side of the domain knowledge that I referred to before. On one side you have a 30,000+ employee machine with years of experience. It would be easy to be sucked in, to pay too much attention to the TOMs (target operating models) that our colleagues follow. If we did that we would simply end up replicating what already exists. The trick is therefore being able to stay close enough in order to leverage the advantages but as far as possible not to compromise on innovation and user experience.

Q Does Adia compete with the traditional Adecco business?

A In most instances, we are not competing for the same kind of work as Adecco, and in that sense the businesses are very complementary. With Adia we are able to address user segments that are either not staffing users today or who could not be serviced effectively through the Adecco branch-based model, which is higher touch and more constrained to traditional business hours. We thereby grow the market and also expand the market share of the Group.

There are obviously some overlaps and some level of competition with the traditional business. But considering that we share information, insights and technology with Adecco, it is a competition that raises the user experience for all of the Group's customers, which is in the long term interests of everyone.

Q What are the long term aspirations for Adia?

A We are still a relatively small business but we are thinking big. We know that Adia works really well for most types of transactional staffing business, with high frequency and easy-to-verify skills. We are not going to replace the human touch for highly specialised roles, or where the client is looking for an advisory solution, like Adecco Onsite. But we believe that the addressable market is huge; in the tens of billions of euros.

Our focus in the short term continues to be on testing and improving the product as we scale up. We are still in an investment phase for now. We are highly disciplined about generating returns on those investments but the key is building long-term value for shareholders, rather than chasing short-term profitability.

In terms of geographies, we are now in three countries. Certainly that number will increase over time, and being able to leverage Adecco Group infrastructure is a great advantage there.

Adia

Adia is a mobile-first, online staffing platform, designed to make managing existing short-term staff and recruiting new temps for shift work easy and transparent. Employers can review rated profiles, hire, plan shifts, set wages, track working hours and communicate with staff – all from a single platform. Candidates seeking temporary work in retail, logistics, hospitality, catering, events or promotions can search for jobs in their own time, work when they want, and get paid quickly. Candidate and client satisfaction ratings (NPS) are significantly higher compared with traditional staffing agencies. Adia is fully compliant with agency work regulations (operating under its own staffing licence), offering "gig work" via an employment relationship. Adia's platform helps gig economy workers gain experience and build a work history, and enables clients to manage and build relationships with the contingent workforces that are vital to their everyday operations. Adia offers a comprehensive service, ranging from payrolling and scheduling, to finding staff in a self-service or consultant mode. Co-created with Infosys in 2016, Adia is currently live in Switzerland, the UK and the US.

GA

General Assembly is a pioneer in education and career transformation. Founded in 2011, the company offers employer-focused, practitioner-taught technical skills training and development in business-critical areas such as coding, data science, user experience design and digital marketing. Its full-time immersive and part-time courses are delivered by expert instructors across an international network of 20 campuses, at enterprise client sites, online or via a blended model. GA's fast-growing enterprise solutions help businesses benchmark talent, reskill and upskill valuable employees, hire candidates, and increase diversity. The company's strong brand position is supported by high customer satisfaction (NPS 50+) and excellent career outcomes for its more than 70,000 global alumni. GA already works with 40 of the Fortune 100 companies and is now rapidly scaling up its B2B solutions, supported by synergies with other Adecco Group brands.

VETTERY

Vettery's online professional permanent recruitment platform connects over 10,000 top employers with highly qualified, well-suited candidates across the IT, sales and finance verticals. Machine learning algorithms are applied to identify in-demand talent to bring onto the platform, analyse clients' existing hiring activity and recommend appropriate candidates. This technology helps reduce time-to-hire and improves the quality of matches, enhancing the recruiting experience for both candidates and employers. Vettery was launched in 2014 and acquired by the Adecco Group in February 2018. Vettery currently operates in fourteen major US metropolitan areas, the UK and Canada and is accelerating its expansion, including into international markets, leveraging the Adecco Group's extensive domain knowledge, data and client relationships.

YOSS

With YOSS, we are building a trusted professional freelance marketplace to connect larger enterprises and fast-growing companies with high-demand skills. The freelancer market is already three times the size of the temporary staffing market. YOSS leverages our expertise in HR solutions to deliver a digital solution that brings structure and compliance to this unstructured market, while also helping freelancers create stable careers. For companies, YOSS makes it easy to find and work with high-demand, verified and relevant freelance talent. Freelancers and contractors get access to longer-term engagements at renowned companies, as well as support and benefits such as legal assistance and timely payments, plus training, savings, insurance, infrastructure and other value-adding services through an ecosystem of partners. Co-created with Microsoft in 2017, and launched in France in 2018.

Domain, data and distribution…

Our right to win

in digital HR solutions

Domain knowledge

- Deep understanding of complex labour legislation and working practices
- Local cultural knowledge operating in 60 countries
- Unrivalled experience of HR value chain, spanning 60 years

Data

- More than 700k associates working per day; 115k placements and > 300k career transitions per year
- Real-time compensation information
- Labour market supply, demand and turnover data
- Predictive workforce planning capabilities

Distribution

- > 100,000 enterprise client relationships
- Global relationships with majority of Fortune 500 companies
- Strategic proximity with 5,000 branches around the world
- Strong global brand portfolio across skill sets and verticals

360° service offering

We provide 360° services to individuals and organisations to successfully navigate through the entire work-life cycle. With the addition this year of GA and Vettery, our comprehensive HR solutions offering is broader than that of any competitor.

OUR BRAND ECOSYSTEM

By rationalising our brand portfolio we have streamlined our operations and created greater clarity for the Adecco Group's customers, enabling the Group to more effectively leverage relationships with its global lead brands.

Adecco
The world's leading workforce solutions company, offering temporary staffing, permanent placement and outsourcing across all sectors.

Adia
A digital staffing service, delivering jobs on demand in hospitality and catering, promotions and events as well as retail.

BADENOCH + CLARK
A global recruitment specialist, offering interim and permanent placements for senior management and executive roles.

GENERAL ASSEMBLY
The leading global source for training and up/reskilling in high-demand fields like data science, technology, design, and business.

LEE HECHT HARRISON
The world's leading talent development and transition company, helping individuals and organisations navigate workforce change.

modis
The world's leading provider of consulting, outsourcing, staffing and project services across IT, engineering and life sciences.

pontoon
A leader in contingent and permanent workforce planning and talent advisory solutions across all industries.

Spring Professional
A global recruitment leader, connecting management professionals with roles and opportunities across all industries.

VETTERY
A talent recruitment platform that uses machine learning and real-time data to match highly qualified job-seekers with top companies.

YOSS
An online marketplace enabling flexible connections between freelancers and their clients.

LEVERAGING SYNERGIES BETWEEN BRANDS

The Adecco Group businesses are increasingly working together to better serve clients, associates and candidates.

One Global Client. One HR Partner.

Our complete brand ecosystem covers the entire work-life cycle. One Fortune 100 multinational tech company has harnessed the benefits of this unique model to manage its full HR needs through one trusted business partner. Through one central contact point, we took a holistic approach to assess its complex business and created a tailor-made solution to drive performance by tapping into market-leading services and expertise within our harmonised brand structure.

Through Modis, we provide IT managed services for the client's "service desks" in Bulgaria, Italy and Germany. With General Assembly, we reskill the client's existing US-based talent. YOSS gives the client immediate access to in-demand, highly-skilled freelancers for ad hoc projects. Adecco caters for any general staffing needs across the globe, while Lee Hecht Harrison has established a career centre and active placement approach to manage talent development and workforce rebalancing in Europe and Asia.

This individualised 360° service offering provides the flexibility, simplicity and scope this client requires to attract talent and fuel growth in a changing world.

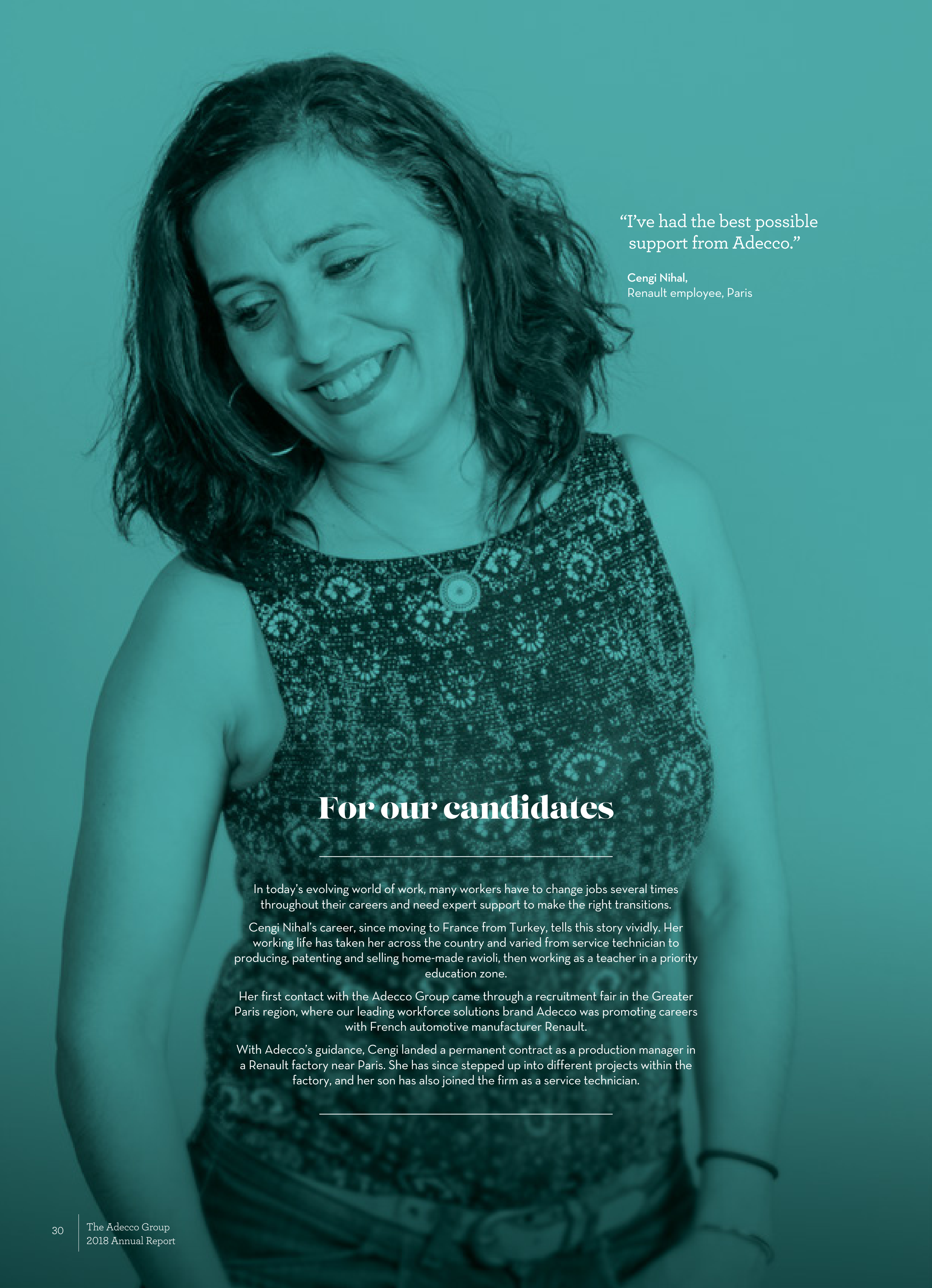
1 Adecco
Office temp with Adecco

2 GA
Upskills in digital marketing through General Assembly

3 VETTERY
Recruited to a tech start-up by Vettery

4 BADENOCH + CLARK
Seeks a management role through Badenoch and Clark

5 YOSS
Goes freelance using YOSS



“I’ve had the best possible support from Adecco.”

Cengi Nihal,
Renault employee, Paris

For our candidates

In today’s evolving world of work, many workers have to change jobs several times throughout their careers and need expert support to make the right transitions.

Cengi Nihal’s career, since moving to France from Turkey, tells this story vividly. Her working life has taken her across the country and varied from service technician to producing, patenting and selling home-made ravioli, then working as a teacher in a priority education zone.

Her first contact with the Adecco Group came through a recruitment fair in the Greater Paris region, where our leading workforce solutions brand Adecco was promoting careers with French automotive manufacturer Renault.

With Adecco’s guidance, Cengi landed a permanent contract as a production manager in a Renault factory near Paris. She has since stepped up into different projects within the factory, and her son has also joined the firm as a service technician.

The world of work is changing. Rigid workforce structures are being replaced with more flexible arrangements, reflecting the needs of employers and individuals. Technology is substituting some tasks and changing the nature of many roles, while also creating entirely new job opportunities. Shifting skills requirements and demographics are leading to rising talent scarcity. The Adecco Group stands as a trusted partner, helping our stakeholders manage these changes, making the future work for everyone.

Navigating

1 Geopolitical and economic uncertainty

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

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

Our response

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

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

change

THE ADECCO GROUP

2 The gig economy

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

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

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

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

Our response

The Adecco Group has been providing workers with secure, quality gigs for more than 50 years. Technology now allows us to help individuals across an even wider range of skills to find work in even more ways. We recently launched YOSS, an online marketplace for freelancers and larger enterprises. The freelance market is approximately three times the size of the temporary staffing market but is only a small part of our business. With YOSS we are bringing structure and compliance to an unstructured market, while also helping freelancers create stable careers. And with our 'Time to Act' campaign we are advocating for a new social contract for work in the 21st century.

3 Skills imbalances

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

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

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

Our response

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

4 New demographic mix

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

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

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

Our response

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

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

As a purpose-driven, values-based organisation, we also recognise the importance of having a positive impact on society. Our sustainability framework and programmes such as Win4Youth and Experience Work Day aim to bring together our colleagues, associates and clients to achieve a common good.

5 Automation, AI & machine learning

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

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

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

Automation will also have a profound impact on the skills that our clients look for in workers.

Our response

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

With General Assembly, we are now able to train candidates in high-demand 21st century skills to meet the emerging needs of our clients.

6

Digitisation, big data & analytics

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

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

Our response

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

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

Delivering value in

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

Market context

Trends impacting our business

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

Inputs

Our critical assets

Talent

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

Relationships

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

Innovation

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

Infrastructure

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

Financial

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

Strategic agenda

- Perform
- Transform
- Innovate

Strategic focus areas

Workforce Solutions

- **Workforce Solutions**
- **Recruitment on Demand**

Professional Staffing & Solutions

- **Executive Recruitment**
- **Professional Solutions**
- **Professional Recruitment**
- **Talent Recruitment Platform**
- **Freelancer Marketplace**

Talent Development & Career Transition

- **Up/Reskilling**
- **Talent Development & Career Transition**

Total Talent Solutions

Services and solutions

- **Temporary staffing**
- **Permanent placement**
- **Career transition**

Underpinned by our people, values and culture

- Passion
- Entrepreneurship
- Customer-centricity

the world of work

Our brands

Adecco

Adia

BADENOCH + CLARK

modis

Spring Professional

VETTERY

YOSS

GENERAL ASSEMBLY

LEE HECHT HARRISON

pontoon

Outsourcing
MSP and RPO
Talent Development

Responsibility

Team spirit

Performance management

Our KPIs and targets

Revenue growth

Gross margin

Conversion ratio

EBITA margin

DSO

Cash conversion

Great Place To Work®

Net Promoter Score

Read more on pages 18-19

Value created...

EUR 350m
dividends paid

5th
in World's Best Multinational Workplaces Great Place to Work®

700,000
associates working each day

130,000
permanent placements

15
Client Net Promoter Score

EUR 290m
income taxes paid

75/100
2018 EcoVadis Gold rating

...and shared

Investors

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

Employees

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

Candidates and Associates

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

Clients

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

Suppliers

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

Governments and Social Partners

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

Providing 360° HR services

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

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

The Adecco Group's core services include:

- Temporary staffing – providing talent on a temporary basis to clients across various industries. We manage the entire recruitment process from candidate search and screening to payroll and administration. Associates are employed by the Group while on assignments, which often run consecutively to ensure continuous employment. In some countries we employ associates on a permanent basis. Temporary staffing accounts for 87% of Group revenues and 67% of gross profit.
- Permanent placement – placing candidates into permanent roles with our clients. We source candidates, screen CVs, and conduct interviews and assessments. We have access to a wide range of talent, including hard-to-reach professionals who are not actively looking for a job. Permanent placement accounts for 2% of Group revenues and 12% of gross profit.
- Career transition – helping organisations and their employees through changes that require individuals to transition out of their current roles. Career transition represents 1% of Group revenues and 7% of gross profit.
- Outsourcing, Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Talent Development – providing a range of holistic HR solutions, including managing the full scope of activities such as call centre operations or entire flexible workforces for companies, handling wholesale recruitment and the management of large contingent workforces, and providing training, career development, upskilling and reskilling. These activities account for 10% of Group revenue and 14% of gross profit.

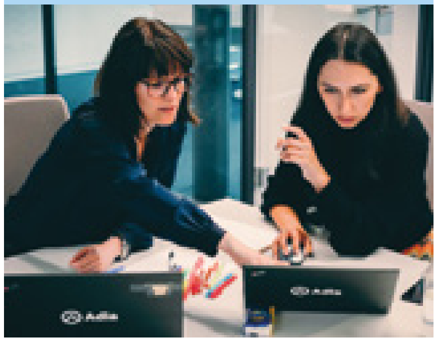
To effectively deliver these services and meet the needs of our customers, the Group is organised into four strategic focus areas, each representing different business lines and supported by our leading global brands.

- Workforce Solutions
- Professional Staffing & Solutions
- Talent Development & Career Transition
- Total Talent Solutions (Managed Service Programmes and Recruitment Process Outsourcing)

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

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

Workforce Solutions



Objective

- Drive differentiation and profitable growth through process optimisation, digitisation and automation

Outlook

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

Strategy

- Accelerate transformation through GrowTogether
- Greater differentiation and pricing power
- Omnichannel approach opens small customer segment
- Enhanced candidate and client experience

Action

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

Key brands

Adecco   Adia

Professional Staffing & Solutions

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

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

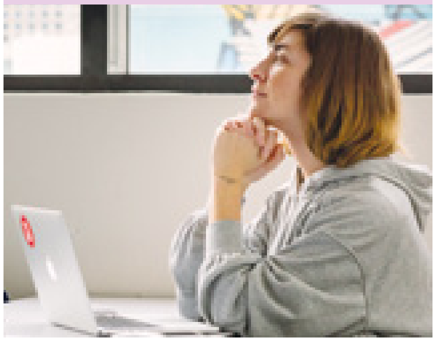
- Strengthen global brands in IT and Engineering
- Capitalise on local brand strength in Finance, Medical and Legal
- Expand solutions to the gig economy workforce
- Leverage digital within permanent recruitment

- Combining brands with exciting technology (e.g. Special Counsel and D4)
- Provision of 'staff augmentation' to address skills shortages (e.g. training, upskilling)
- Scale up Vettery, an innovative online recruitment platform
- Further develop freelancer marketplace YOSS

BADENOCH + CLARK modis

Spring Professional VETTERY YOSS

Talent Development & Career Transition



- Strengthen position as global leader in workforce transformation

- Pace of workforce change is accelerating, impacted by technological disruption; strategically important for enterprises
- Transition and upskilling/reskilling offer attractive growth and margin profile

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

- Drive innovation and hybrid services (e.g. Lee Hecht Harrison Active Placement)
- Scale up General Assembly, especially in the B2B segment
- Become 'translator' between private sector, government and candidate
- Support clients and governments in large reskilling transformations

GENERAL ASSEMBLY LEE HECHT HARRISON

Total Talent Solutions

- Be the leading total talent solutions partner for large organisations

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

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

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

pontoon

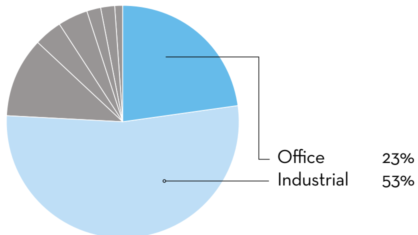
Workforce Solutions:

Driving service differentiation and efficiency

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

Contribution to Group revenues:

76%



Key brands

Adecco Adia

Focusing on temporary staffing, permanent placement, outsourcing and online staffing, Workforce Solutions is our largest business, contributing 76% of Group revenues and 61% of gross profit in 2018.

Workforce Solutions is split into Office and Industrial segments, where the latter covers a broad selection of blue-collar jobs in various industrial and service sectors. These sectors typically reflect the composition of the local economy in the 60 countries and territories in which we operate. Industrial contributes 53% of Group revenues while Office, which focuses on clerical and support personnel, represents 23% of Group revenues.

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

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

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

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

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

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

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

Our New Ventures strategy will also support growth in Workforce Solutions, in particular as Adia scales up and expands geographically.

Professional Staffing & Solutions:

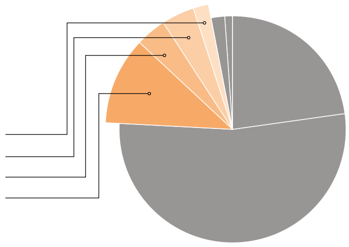
Leveraging our strong brands

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

Contribution to Group revenues:

21%

Medical & science	2%
Finance & legal	4%
Engineering & technical	4%
Information technology	11%



Key brands

Executive Recruitment

BADENOCH + CLARK

Professional Solutions

modis

Professional Recruitment

Spring Professional

Talent Recruitment Platform

VETTERY

Freelancer Marketplace

YOSS

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

Professional Staffing & Solutions represented 21% of Group revenues and 28% of gross profit in 2018. Information Technology contributed 11% of Group revenues, Engineering & Technical delivered 4%, Finance & Legal accounted for 4%, and Medical & Science was 2%.

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

Our four main global brands are dedicated to serving specific sectors and disciplines within Professional Staffing & Solutions. Badenoch & Clark is the lead brand for senior management and executive roles. Modis covers IT, Engineering and Life Sciences. Spring Professional caters for middle management roles across a range of sectors. Meanwhile, YOSS, a digital freelancer marketplace that connects independent workers with large companies was launched in 2018. It expands the Group's offering into the freelancer market, which is already three times the size of the temporary staffing market, leveraging our expertise in HR solutions to develop a platform that brings the structure and compliance that larger enterprises need.

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

As the gig economy flourishes, our temporary, contracting and freelance services are enabling more companies and individuals to embrace the advantages of the trend towards independent employment models.

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

Our New Ventures are also driving growth in this focus area. In particular, Vettery, a platform offering online professional permanent recruitment, was acquired in early 2018, positioning the Group as a digital leader in this space. And with YOSS, we are building a market leader in freelancing that we believe will transform how large companies connect with independent talent. We are also combining existing brands with exciting technology, such as Special Counsel and D4 in the legal segment.

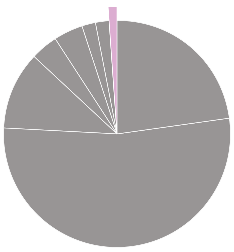
Talent Development & Career Transition:

Developing skills and careers

Talent Development & Career Transition provides solutions for companies and individuals to manage workforce transformation, and helps organisations close persistent talent gaps.

Contribution to Group revenues:

2%



Key brands

GENERAL ASSEMBLY

LEE HECHT HARRISON

In Talent Development & Career Transition we offer solutions that include outplacement, leadership development and hard-skills training in digital disciplines, such a coding and UX design. Combining these capabilities we are able to offer complete workforce transformation solutions, and we have the expertise to manage an entire process, be it for a few individuals or thousands of employees. We have a global network able to offer consistent support to complex organisations across multiple countries.

Talent Development & Career Transition represents 2% of Group revenues, and 9% of gross profit. Solutions are delivered through our Lee Hecht Harrison brand, the worldwide leader in career transition, and General Assembly, a pioneer in education and career transformation.

Our career transition solutions help organisations secure positive outcomes for departing employees, maintain business continuity, keep remaining employees engaged, and protect their employer brand. We ensure that affected employees are engaged in transition activities, providing access to personalised support and career-building technology to enable them to move to the next step of their career.

We are committed to enhancing our career transition offering with innovative new solutions, such as Active Placement, an online talent exchange that was launched in 2017.

With the acquisition of General Assembly in 2018, we significantly expanded our talent development and upskilling solutions, an area that we expect to become increasingly important as technological change means that many workers will need to retrain in the coming years.

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

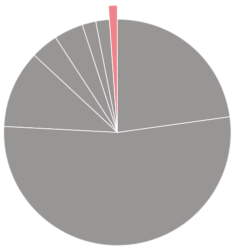
Total Talent Solutions:

Leveraging our insights

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

Contribution to Group revenues:

1%



Key brand

pontoon

Total Talent Solutions incorporates the Group's Managed Service Programme (MSP) and Recruitment Process Outsourcing (RPO) solutions. MSP involves taking over part of the HR function within an organisation to manage all of its contingent and flexible workforce needs. RPO enables clients to outsource the entire permanent recruitment process, to harness the full benefit of our expertise and experience in hiring large numbers of employees.

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

This focus area accounts for 1% of Group revenues and 2% of gross profit. All services fall under the brand Pontoon, a global leader in contingent and permanent workforce planning and talent advisory solutions for large clients.

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

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

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

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

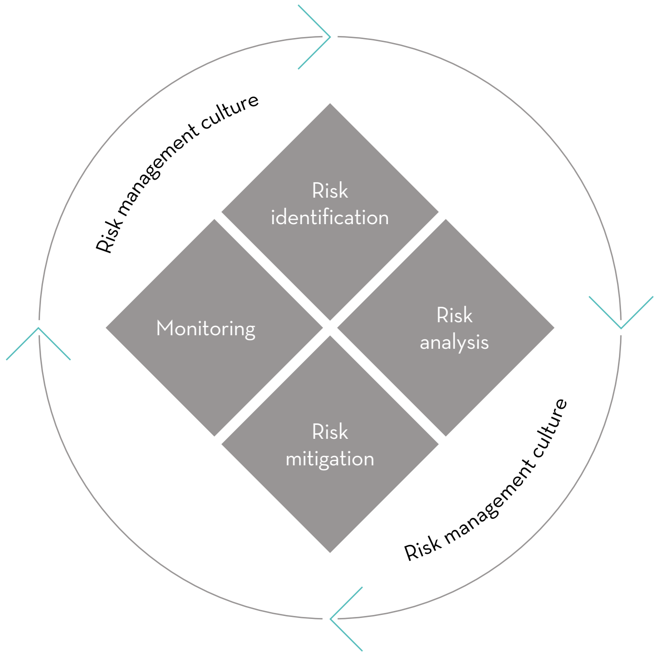
Identify, mitigate and manage

Our risk management process is used to identify and mitigate our exposures and, where possible, to turn risks into business opportunities.

Enterprise risk management – an iterative and integrated management practice

Embedded in the strategic planning process, the enterprise risk management process at the Adecco Group is a management practice. This provides assurance to all key stakeholders that we will achieve our performance and profitability targets. While the focus is on analysing, managing and mitigating risks, we pay equal attention to identifying opportunities for business development.

The process is conducted on a regular basis, steered by Group management and overseen and approved by the Board of Directors. Country and business line management teams are involved to ensure consistency and comprehensive coverage by leveraging the expertise of the people in the organisation close to the risks. This is consolidated through an unbiased and honest view on risks that can have a significant impact on their operations and their ability to meet objectives. Where needed, action plans are developed, and progress is reviewed during regular operational business meetings. The country assessments and action plans are then consolidated and reported to Group management and a Risk Owner is designated for each risk category identified. The Enterprise Risk Management assessment, including the action plan, is reported back to the Board of Directors.



Key business risks

Key business risks	Description	Mitigation
Geopolitical and economic uncertainty	Demand for many of our HR solutions is highly correlated to changes in economic activity. Meanwhile, career transition is counter-cyclical in nature. At the same time, we operate in a labour market going through significant change: the workforce skills an organisation requires today may be obsolete in few years' time. Staffing companies must adjust their capacity to fluctuations in demand, which can occur rapidly and over which they have limited visibility.	The Adecco Group has leading positions in most major geographical markets and HR service lines. 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' demands, 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.	We emphasise the importance of acting as a partner to clients to help them satisfy their workforce solutions. On a regular basis we measure client NPS. The results are used to train and support sales teams, to draft and execute sales action plans, and to further enhance the services we deliver. At the same time, we continuously strive to improve our delivery channels and to optimise sales processes, leading to enhanced client attraction.
Associate attraction and retention	We depend on our ability to attract and retain candidates and 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 challenging.	We aim to attract the best talent from various sources, ranging from the traditional physical branch to online platforms and technologies. Our value proposition for candidates and associates goes beyond providing employment opportunities or consecutive assignments. We also provide training and career coaching. And we help solve skills shortages, with reskilling and upskilling solutions that improve access to candidates in some of the most in-demand fields, such as digital and IT skills. We regularly measure our candidate NPS to help identify and respond to their needs.

Key business risks	Description	Mitigation
Employee attraction and retention	Our success depends on the talent and motivation of our people. Hiring and retaining the right talent in the right job may significantly influence the business prospects of the Adecco Group. Talent and skills are becoming an increasingly limited resource, as companies compete for the best people. The loss of key colleagues, with valuable experience in the global HR services industry or with strong customer relationships, could cause significant disruption to our business.	At the Adecco Group we have developed a five-pillar talent framework aimed at enabling us to remain the leading employer in our industry: 1) GET the best talent by improving our recruitment processes; 2) KEEP this talent by offering opportunity, work-life balance, appropriate rewards; 3) GROW our talent through experiential development, career progression, with programmes like Adecco Academy, HIT or HIPE; 4) ENABLE our talent to deliver a personal best with the right tools, services and strategy, through GrowTogether; 5) INSPIRE our people with a purpose and company values, via programmes like CEO for One Month or Win4Youth. We measure our progress through the annual Great Place to Work® survey that gauges employees' satisfaction with their workplace, as well as with regular internal employee surveys.
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 infrastructure. Among others, a significant system interruption, loss or leakage of confidential business information and cyber-risks could result in material disruptions to our business.	We undertake ongoing assessments of our global security and IT infrastructure and continue to holistically improve our approach to security. This includes strengthening cyber threat prevention measures and helping ensure rapid detection and efficient response. For business continuity, critical business applications are stored in regional datacentres with failover capability. A review of agreements with IT service providers and enhancement of service-level and contract management are embedded in the IT processes, as is the continuous improvement of user security awareness.
Changes in regulatory/legal and political environment	The HR solutions industry requires appropriate regulation with the ultimate goal of enhancing quality standards to the benefit of society, workers, private employment agencies and their clients. A changing political environment might lead to inappropriate or unbalanced regulation, potentially impacting our business model.	The Adecco Group is a founding member of the World Employment Confederation and holds leadership mandates in the regional and national associations representing our sector. Our engagement spans to global institutions such as the International Labour Organization, the OECD, the International Organisation of Employers and the G20-B20, as well as BusinessEurope. In key strategic areas, we help shape the agenda with the Global Apprenticeship Network, the Global Forum for Migration and Development, the ILO Global Business and Disability Network and the European Network Against Racism. The Adecco Group monitors and evaluates, at regional and local level, the changes in the regulatory and legal environment, promoting actions and initiatives directed at improving working and employability conditions, while ensuring the competitiveness and growth of economies.
Compliance with laws	The Adecco Group is exposed to various legal risks, including possible breaches of the law in the areas of employment and discrimination, competition and bribery. The Group holds information on a large number of candidates and associates, bringing additional risks in the rapidly developing area of data privacy laws.	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	New distribution channels and data-driven business models are emerging as HR solutions go digital. 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.	At the Adecco Group we are embracing the potential of digital, through a combination of internal ventures, partnerships and targeted M&A. 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. We have also created the executive committee position of Chief Digital Officer. This marks the next step in our digital evolution enabling us to place further emphasis on the growing digital scope of our business and to focus aggressively on new opportunities for growth. At the same time, we will continue to look to build more synergies between the Group's online and offline businesses, and to further develop opportunities with leading technology partners.
Data protection and cyber security	With increasing digitalisation, the ability to provide a data environment respecting the highest security and regulatory standards like GDPR is critical. Any failure to do so, whether due to a lack of appropriate technology and/or controls or human error, could result in a loss of trust among our candidates, associates, employees and clients, as well as financial penalties.	The Adecco Group is continually investing in cyber security-related processes and systems. With investments in compliance resources, business processes and technology, the Group is complying with relevant data privacy principles established by law. To mitigate the risks, a global privacy strategy was defined that consists of embedding privacy in the day-to-day operations, securing compliance with applicable laws and aiming to turn data privacy and compliance into a competitive advantage in the long run.

“This is a chance to do a job that we love and believe in.”

Mariem Elgaid,
Recruitment Manager, Adecco Tunisia

For our people

The Adecco Group is committed to being a centre of excellence for its employees around the world, empowering them to develop and reach their own personal career goals, and to contribute in a meaningful way to our purpose of making the future work for everyone.

Mariem Elgaid joined Adecco Tunisia 17 years ago and has grown within the company to help it become one of the leaders in human resource management in the North African nation.

Mariem, who studied psychology, says having a love for your profession and identifying with a company’s values are crucial to happiness and success at work. Working for Adecco Tunisia as a recruitment manager has enabled her to turn her career dreams into a reality.

She gains the most satisfaction from the personal connection of helping others – candidates, clients, colleagues and managers – reach their goals. That means listening carefully to their needs, diagnosing the best way to offer the right support. It’s not just about changing the lives of others for the better, but also contributing to the positive development of companies and the Tunisian economy.

THE ADECCO GROUP

Powered by people

The Adecco Group is committed to setting the standard as a world-class employer, creating a positive work environment that attracts, develops and retains a diverse, talented team united by our mission of making the future work for everyone. We are constantly striving to improve how we motivate, empower and inspire our people. In 2018, we achieved a top five spot in the Great Place to Work® for the second consecutive year.

A company is only as strong as its people. To perform, transform and innovate, to lead the world of work, and to offer the best in customer service and experience, the Adecco Group strives to be one of the best employers in the world.

Setting an example to our, peers, associates and candidates means building inclusive teams with the very best local and global talent as well as embracing technology and new ideas to ensure that this talent can take root, grow and thrive in ever-changing conditions. It also means enabling our people to achieve a healthy work-life balance and to succeed in their personal career goals.

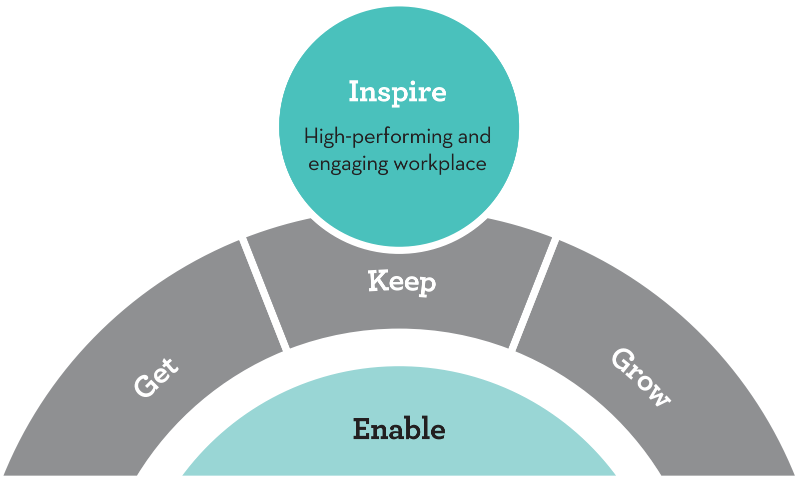
This is a core strategic priority for us. People who feel truly valued and inspired by a collective purpose will perform at a higher level, stay for longer and empower us to meet the evolving expectations of our customers and investors.

Becoming an employer of excellence means setting the right tone from the top with credible values and a leadership style that resonates with our 34,000-strong global team.

Every day, our talented people face and meet the challenge of helping our clients, candidates and associates understand and navigate the opportunities of a rapidly changing world of work.

A flexible framework for talent

In 2016, we established a talent framework to define and guide our approach as the leading employer in our industry. This framework is founded on five pillars:



Get the best talent by improving our recruitment processes and being the most attractive employer brand in the professional services industry

Keep this talent by offering opportunity, work-life balance, state-of-the-art workplaces, appropriate rewards and a sense of purpose

Grow our talent through experiential development, career progression, engagement and innovation

Enable our talent to deliver a personal best each year with the right tools, services, support and strategy

Inspire our people with a purpose and company values that resonate, engaged leadership, and a positive team spirit

GET: World-class talent attraction

The first pillar of our talent framework is “Get”. Talent and skills are becoming an increasingly limited resource, as companies compete for the best people with the right knowhow to drive performance in the fast-moving digital age. We are transforming our HR processes with the latest technology, HR intelligence and people analytics to identify the skills, competencies and experience we need. We then work tirelessly to match those needs with the best-quality available talent.

Today, a sense of purpose can be just as important to employees as any other incentive. Our employee value proposition focuses on the role of our team members in making the future work for everyone. We also emphasise the opportunities for personal and professional development offered by a career with the world’s leading HR solutions partner.

In 2018, we hired more than 9,000 new team members across the 60 countries in which the Adecco Group operates. Our CEO for One Month programme received a record of more than 204,000 applications from young aspiring leaders around the world.

KEEP: Talent retention is vital

Once we have attracted the talent we need, it is crucial for our strategic goals that we keep that talent. The key to effective talent retention involves cementing a culture in which our people feel highly valued. A positive atmosphere that offers job accomplishment attractive rewards, a direct connection to – and accountability for – a collective purpose and performance, and the chance to grow. Our talent understands what is expected through clear global talent language, performance reviews, talent reviews and succession planning. We strive to empower our people through direct responsibility and clear lines of communication with management. We embrace data analytics to mine statistics for various job profiles and to monitor and improve our performance in talent retention across our business. This internal analysis gives us the tools to build on a retention rate of 72 percent to ensure we always have capable and passionate talent on board to deliver our strategy.

GROW: How we develop our people

We know that investing in the skills and development of our people is becoming ever more necessary, cost effective and valuable due to talent and skills shortages and the pace of change in the world of work. The “Grow” pillar of our talent framework supports the sustained personal and professional development of our people: making sure our talent has what it needs to progress, succeed and possess the skills required. We achieve this through leveraging a range of initiatives across our local and global networks, expert HR guidance and training options.

From new employees to the CEO, we encourage all our colleagues at the Adecco Group to develop a robust development plan that supports their overall career goals, founded on the 70:20:10 principle. 70 percent of our people’s growth is led by on-the-job experience, providing enough variety and responsibility to allow talent to shine. 20 percent is led by mentors and coaches, while the remaining 10 percent comes from technical, skills or behavioural training courses.

People Programmes

Adecco Academy

The Adecco Academy offers bespoke executive education focused on cluster competencies core to our business strategy to thousands of our colleagues at every level of our business, across a huge range of topics and disciplines.

HIT Programme

Our two-day High Intensity Training programme, active in more than 25 countries for over a decade, offers skills training for sales and recruiting teams.

Adecco International Mentoring Programme

Through AIM, our leaders help to nurture, develop and deliver our future leaders by sharing their knowledge and expertise.

HIPE

Our international exchange programme offers our best performers up to four weeks on an international exchange, tailored to personal development needs.

ENABLE: Empowering our people

The fourth element of our talent framework is “Enable”. We strive to give our teams and individuals the tools and support they need to deliver a personal best each year as an innovator and entrepreneur in their role. Our GrowTogether transformation programme is empowering our people with the latest IT solutions, reducing paperwork thanks to digitisation of time-consuming areas such as timesheet management, and establishing state-of-the-art branches, client and candidate platforms and work environments.

We review incentives to reward performance in the right way. We launched a pilot Engagement Survey in 2018 to monitor how we are doing in this area and to form our future strategy.

INSPIRE: Motivating our people

How do you motivate a talented workforce to perform at its best throughout the year? The final pillar of our talent framework is “Inspire”. We work hard to nurture a culture of innovation, inclusion, purpose and opportunity to fuel the inspiration of our talent.

Our core business – helping business and people succeed in the world of work – gives our people a strong sense of value and social purpose. We augment this with a range of local and global engagement programmes, including CEO for One Month, Win4Youth, our Athlete Career Programme and Way to Work.

In 2018, we updated our Core Values to include a value on “customer-centricity” in order to refine our focus on customer service and experience. This gives a clear sense of direction for our team members and a collective sense of purpose, alongside our core vision to make the future work for everyone.

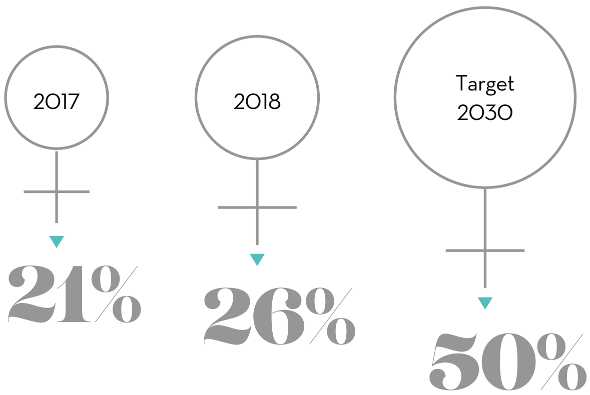
Diversity & Inclusion (D&I)

Our commitment to diversity and inclusion stretches across all the pillars of our talent framework. We deal with people of all ages, of all abilities, from all walks of life, every single day. We are committed to having an inclusive workforce that reflects what our business is about: people. We respect and value the different life experiences our people bring to our business. No matter what nationality, gender, race or religion, if a team member can make a positive impact in his or her role then it is the skills that matter.

D&I highlights

- In 2018, our workforce was made up of 67% women and 33% men.
- The Great Place to Work® survey results reported an average score of 86% on D&I, reflecting a positive perception among employees on these matters.
- In 2019, we will launch an unconscious bias global training programme to promote diversity of thought.

In 2016, we became a member of Paradigm for Parity® - a collaborative, research-based business coalition focused on eliminating the gender gap in corporate leadership. By signing on, we agreed to achieve gender parity in leadership levels by 2030.



A New Leadership Contract

Strong and effective leadership is crucial for the wider performance and morale of our global team. Our leadership competency framework is supported by personal development, encompassing areas such as strategic planning, driving results, innovation and team building. In 2018, in order to enhance accountability and consistency, our 300 top executives signed up to a new Leadership Contract, which clearly defines what is expected from a leader in the Adecco Group.

Aspiring to Greatness

In 2018, the Adecco Group ranked fifth in the top multinationals in the Great Place to Work® ranking – making the top five for the second year in a row and the top ten for a third consecutive year. The ranking is an independent, credible measure of employee satisfaction that, in 2018, polled 12 million employees from 7,000 companies around the world. The Great Place to Work® ranking gives us a clear indication of how we are performing as an employer and where we can improve.

We achieved an 86% global response rate with a record participation of more than 27,000 colleagues across 51 countries. Significantly, our Global Trust Index score rose by five points to 73 percent. Our top five global ranking mirrored similar successes for national rankings in multiple countries over the world.

The survey highlighted our key strengths as:

- Strong colleague engagement and commitment
- High levels of collaboration and team spirit
- Increased perception of care and fairness of line management
- A strong sense of purpose in providing a valuable service to society

Core Values: a renewed focus to define our future

Entrepreneurship

We constantly take initiatives to empower people, fuel economies, and enrich societies

Passion

We change the world of work, one job at a time

Customer-centricity

We live by and for our customers' success; we want to be their top-of-mind and top-of-heart choice

Responsibility

We are the industry leader; our goal is to provide more work opportunities for more people

Team spirit

We work together as one team

Prioritising and managing what matters most

We are committed to making the future work for everyone. Sustainability is a core element of this ambition and a powerful tool for positive change in the world of work. Our clients, candidates and associates, employees, investors and society at large are increasingly interested in the social and environmental impact of our business, our approach to governance and ethical practices, and our contribution to sustainable development alongside economic growth. In response, we have launched a more integrated approach to sustainability and shared value creation. This incorporates social, environmental and governance components across all of our business, delivering economic value for our shareholders and stakeholders, and positive impact for global and local economies.

The bedrock of this approach is an understanding of the most material issues to the Group and our stakeholders — clients, associates and candidates, colleagues, investors, suppliers, institutions, and society. Building on related work in previous years, in 2018, we conducted a comprehensive materiality process to identify and prioritise those factors that have the greatest impact on our ability to create value. The process included an analysis of current work, international standards, regulations and best practices, as well as extensive engagement with internal and external stakeholders to validate our findings.

The result: ten material factors, divided into strategic priorities and fundamentals. These ten issues are crucial to safeguarding our licence to operate and business continuity. They directly underpin four strategic sustainability goals that address work-related needs of our core stakeholder groups and help us structure programmes and measures in a purposeful way. These goals in turn collectively hold the means to achieve our overarching mission of making the future work for everyone.

10 MATERIAL FACTORS

Skilling & enabling	Digital transformation & data ethics	Attracting, engaging & retaining talent	Diversity & Inclusion

Compliance, corporate governance	Human rights	Workforce vitality	Public policy	Corporate citizenship	Environmental performance

4 SUSTAINABILITY GOALS

Client experience	Access to work & workers	Employer of choice	Social security

1 MISSION

Making the future work for everyone

Material factors: Strategic priorities

Skilling and enabling

Rapid technological progress and an ageing workforce create substantial talent shortage and skills mismatches. New jobs require new skills, which remain in short supply. These trends pose a challenge for our clients and society at large, creating an urgent need to reskill and upskill workers whose skills have become less relevant. A new approach to education, work-based training, apprenticeships and training offerings must be embraced to increase employability for all if the economy and society are to prosper.

Related risks

Attraction and retention of clients, candidates, associates, and employees

The opportunity

The Adecco Group is leading in the area of workforce transformation. We believe this is an important competitive differentiator in HR markets, as our clients look to improve their access to talent and skills, and to successfully navigate changing workforce needs. Our role does not end with providing employment: we have a big opportunity to help solve skills shortages. We work closely with our clients to help address skills imbalances, prepare young people and underserved populations for the workforce, and enable workers to gain the needed skills and be equipped for the challenges ahead as they progress through their careers. We develop partnerships and programmes to build the talent the business world needs now and in the future. We run work-readiness and apprenticeship programmes in various countries and collaborate with organisations such as the Global Apprenticeship Network (GAN). We see it as our responsibility to prepare people for the shift in skills and behaviours that a more digitised world creates.

Digital transformation and data ethics

The integration of digital technology into all areas of business is fundamentally changing how companies operate and deliver value. It also presents a cultural change that requires companies to continually challenge the status quo, experiment, and get comfortable with failure. The ubiquitous digitalisation of every aspect of life poses challenges to data privacy, making the ability to provide a data environment that respects highest security and regulatory standards critical. Any failure to do so could result in a loss of trust among key stakeholders.

Related risks

Client attraction and retention | Information Technology | Disruptive technologies | Data protection and cyber security

The opportunity

We are embracing the potential of digital, adding more value to existing solutions, expanding our market and significantly improving efficiency. We see digitisation as an opportunity to grow employment. By combining the best of the HR solutions industry with the best of the technology industry in a responsible way, we seek to become a more valuable service partner for companies and workers.

The security and privacy of data is a top priority for us, as we interact with thousands of employees, candidates, associates and clients across the world, every day. Our global data protection programme maintains and improves compliance with data protection laws around the world and helps embed privacy in our business operations.

Attracting, engaging and retaining talent

The job market is more competitive than ever. The success and business prospects of a company are significantly influenced by hiring and retaining the right people in the right jobs. Increasingly, people seek to work where company culture resonates with their own values, where they are encouraged to grow, and can contribute to society, as well as the bottom line. Particularly younger generations place more emphasis on variety, flexibility and corporate purpose.

Related risks

Attraction and retention of clients, candidates, associates, and employees | Economic environment

The opportunity

Inspiring and enabling the best people is fundamental to our success. As a recognised Great Place to Work®, we lead by example. We work closely with our candidates, associates and employees to anticipate and address their needs. We promote an open, fair, efficient and collaborative way of working, and invest in talent development and mentoring. By supporting our people throughout their careers, we help them realise their full potential. We want to create a culture and workplace in which our employees can thrive. Our thought leadership, shared value creation and social impact programmes give us credibility and unite our colleagues, associates and clients towards a common good.

Diversity & Inclusion

More and more employers say they cannot find the skills and workers they need. Increasing diversity in the workplace can provide access to an untapped pool of talent and creativity. Further benefits of workforce diversity include: better customer understanding and service as a diverse workforce is representative of an equally diverse customer base; more innovation, earnings and solutions as a result of diverse perspectives and backgrounds; more efficiency through different approaches to problem-solving; and better retention and loyalty among staff as a result of better positioning as an employer of choice. Inclusiveness is about respecting and valuing difference.

Related risks

Attraction and retention of clients, candidates, associates, and employees | Changes in regulatory/legal and political environment

The opportunity

As a people business focused on providing integrated HR solutions, we put our expertise and our energy into improving everyone's chance of being part of the workplace, regardless of age, background, ethnicity, gender, sexual orientation, religion, ability or social situation. Our commitment is to equal opportunity for everyone working with or through the Adecco Group. We engage with employers to develop programmes and pathways that embrace diverse talent and campaign for more inclusive employment worldwide through partnerships and other initiatives. Our commitment to diversity and equal opportunities benefits our business, our people, our clients, and society at large.

Material factors: Fundamentals

Compliance, corporate governance

Businesses underpin our economy and society by providing employment and creating prosperity but, in turn, rely on access to infrastructure, well-educated talent, stability, etc. To succeed in the long term, companies need to build and maintain relationships with a wide range of stakeholders — relationships based on respect, trust, and mutual benefit, facilitated by strong accountability and prudent management. Governance sets the tone for an entire company's attitude to ethics, business practices, and risk, while compliance embodies that attitude in relation to specific laws and regulations.

Related risks

Compliance with laws | Changes in regulatory/legal and political environment

The opportunity

Our goal is to be the most trusted HR solutions partner, helping our clients, associates, candidates and colleagues navigate and prepare for an increasingly complex world of work. To be trusted, we must be credible, leading by example and putting our principles into action. We promote integrity and openness, and build our business on an unwavering commitment to behaving responsibly and adhering to the highest ethical standards. We seek not just to comply with the letter, but with the spirit of the law. By living up to our purpose and responsibilities to our stakeholders, we will reap the rewards over the long term.

Human rights, freedom of association and collective bargaining

2018 saw the 70th anniversary of the Universal Declaration of Human Rights (UDHR), testament to the enduring universality of its values of justice, equality, inclusiveness, and human dignity. Despite many important breakthroughs, workers in too many geographies do not yet enjoy the full rights outlined in the UDHR. Efforts need to increase to improve its impact on the ground. Ensuring respect for human rights is a key contribution businesses can make to help achieve the UN 2030 Sustainable Development Agenda.

Related risks

Attraction and retention of clients, candidates, associates, and employees | Changes in regulatory/legal and political environment | Compliance with laws

The opportunity

As an HR solutions provider, we have a double responsibility when it comes to human rights: towards our own colleagues, but also towards candidates and associates we place with our clients and those using our digital solutions. We are committed to fair and ethical recruitment practices and improving the lives of our colleagues, candidates and associates. We have embraced some of the most authoritative international resources such as e.g. the UDHR, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles for Business and Human Rights. We are eager to work with our stakeholders to collaboratively change realities on the ground.

Workforce vitality

A vital, healthy workforce is good for business, people and society. Meanwhile, today's corporate workforce is under enormous pressure from globalisation, new technology and demographic change. There is growing recognition and understanding of the impact of work on groups and individuals and its role in improving, or worsening, health. And while organisations are responding in many ways, despite massive investment, most of these programmes and initiatives, across the business community, are not having the desired impact.

Related risks

Attraction and retention of clients, candidates, associates, and employees

The opportunity

Through our business and the Adecco Group Foundation, it is our ambition to create a new paradigm of what a good employer does to make the global workforce healthy, resilient and fit for purpose, to help them thrive as employees and individuals. This means addressing not only physical wellbeing, but also mental wellbeing, social wellbeing and purpose. What is needed is a combination of policy, practice, culture, environment, tools and technology to ensure solutions are effectively embedded.

We may not control the workplace environments where we place our candidates and associates in the same way as we do our own, but we can ensure that every candidate and associate is properly trained and equipped to work safely and stay healthy, and share our expertise with our partners to help raise workplace standards.

Public policy

Companies are impacted by a range of local, national, and global rules and regulations and touch the lives of millions of people every day. Companies are thus important stakeholders of policy and policymakers. Working closely with governments, regulators and other relevant stakeholders will ensure that companies can anticipate market developments and share their expertise for the effective implementation of key regulations and frameworks.

Related risks

Changes in regulatory/legal and political environment

The opportunity

We are committed to contribute to policy discussions on the world of work. Our advocacy is focused on creating open, dynamic and efficient labour markets that lead to optimal outcomes for all stakeholders. In recent years, the Group has built a consistent engagement footprint, coherent in terms of policy and solutions delivery, underlining the urgency for action. That is today reflected in the call for a New Social Contract and for more investments in lifelong learning and employability.

The Adecco Group takes a leading role in our industry, as well as in the wider business community. We do this via our close involvement in the World Employment Confederation (WEC) and its member federations on national level. We are a member of the International Organization of Employers (IOE) and BusinessEurope, and many of their national member federations. We contribute to several dedicated business communities such as Business at OECD, and the G20/B20 process. These relationships support our outreach to regional and national policymakers, and regional and global bodies, including the European Union (EU), the International Labour Organization (ILO), the Organisation for Economic Cooperation and Development (OECD), the G20 and G7, and the World Economic Forum.

Corporate citizenship

A prosperous business depends on prosperous communities. Expectations are growing for companies to create value well beyond the boundaries of their core business by investing in the wellbeing of the communities of which they are an integral part.

Related risks

Attraction and retention of clients, candidates, associates and employees

The opportunity

Being at the heart 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, skills and employability for all. Our global and local foundations work and innovate to promote labour integration for groups at risk of exclusion and help to ensure the resilience of workers. By working collaboratively to create positive societal value and thought leadership, we can build strong relationships with communities, governments, institutions and clients, while attracting and engaging our colleagues, candidates and associates.

Environmental performance

Fighting climate change and mitigating environment-related risks and impacts are vital for a sustainable economy. Without significant reductions in emissions, average global temperatures will rise to levels with detrimental effects on wellbeing, socio-economic development, global value chains, etc. Decisive action, not least from the corporate sector, will be needed to mitigate the impact of human activity on the ecosystem.

Related risks

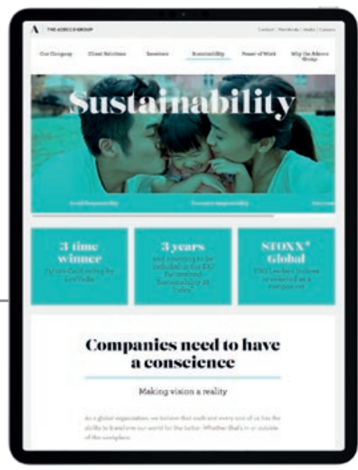
Changes in regulatory/legal and political environment | Attraction and retention of clients, candidates, associates and employees

The opportunity

Due to the nature of our business, our environmental footprint and ability to influence and create value in this area is limited compared with other industries. Nevertheless, we strive to continuously improve corporate policies, procedures and practices in environmental management and to ingrain environmental consciousness into core business processes. This not only helps to improve our own environmental performance but also that of our clients, playing our part in safeguarding the planet for future generations.

Our goal is to fully integrate sustainability across our brands, operations and territories. This, in conjunction with the Adecco Group Foundation, will create a compelling driver of differentiation and innovation that will create sustainable value for all our stakeholders. By living up to our purpose and values, and mainstreaming them into how and why we conduct our business, we can make the future work for everyone.

Please see our 2018 Sustainability Report and www.adeccogroup.com/sustainability/ for further details on how we manage what matters most.



Creating social value

Our Adecco Group Foundation combined with our national foundations (Spain, Italy, France, Germany and recently the USA) and numerous local programmes represent the active expression of the Group's commitment to create long term social value for society at large.

The Foundation

The Adecco Group Foundation seeks to accelerate social value creation in the field of employment and skills, focusing specifically on work-readiness for underserved populations and workforce vitality. Through our flagship programmes we drive inclusive, social value creation at the local and global levels. Our social innovation projects leverage the know how of these programmes to pioneer practical solutions to thorny problems in the employment space.

Social innovation lab

The Foundation acts as an incubator to design, build, test and roll out new models and ways of doing business. Our methodology is based on short-cycle innovation projects that produce practical prototype solutions that can be taken out into the business world and beyond with the goal of creating a paradigm shift. The aim is to create to share, not to keep.

Innovation projects

- Workforce Vitality: building on our experience with the Win4Youth programme, this project focuses on the role that employers can and should play in making the global workforce healthier, more vital and fit for purpose. The initial research conducted with the Economist Intelligence Unit yielded a self-diagnostic tool for companies and a white paper on the successes and shortcomings of corporate wellness schemes. Building on this research, in 2018 we created a new model for how a company can more effectively engage its employees to create healthy behaviours. We are now testing the model in different contexts and will publish it later in 2019.
- Portfolio Career: this project originated within our athlete-focused career programmes and seeks to drive companies to employ a more diverse workforce as well as create employment opportunities for people in transition from one part of the workforce to another. In 2018, we piloted a first adaptation of this methodology with the Lucerne Festival, hosting a series of workshops aimed at helping develop the skills, confidence and competencies of young musicians to increase their employability, within and beyond the arts world.

Workplace Health & Wellbeing Self-Assessment Tool

The relationship between companies and their workforce is changing, and employees increasingly expect their employers to offer services that help them lead healthy, happy lives. But what health and wellbeing practices are working, and how are they best implemented? This self-assessment tool, commissioned by the Adecco Group Foundation and created by The Economist Intelligence Unit, allows individuals to compare their organisation's health and wellbeing initiatives to those of other multinational companies around the world.

THE ADECCO GROUP
FOUNDATION

Global programmes

CEO for One Month

Our CEO for One Month programme is a unique opportunity to help young people increase their employability and work-readiness by giving them highly effective work-based learning opportunities, equipping them with the skills and experience needed to get a foot on the career ladder while increasing their confidence and exposure.

In 2018, the programme received a record of more than 204,000 initial applications. Following a rigorous country-level assessment, 47 talented people were chosen to shadow their Adecco Group country CEOs, gaining a unique insight into the business and the challenges faced by top executives. These 47 then underwent further challenges and assessments, all culminating in the selection of a Global CEO for One Month, who had the once-in-a-lifetime opportunity to accompany the Adecco Group CEO Alain Dehaze for one month.

And even those who do not reach the final cut benefit from an array of advice and information towards increasing their employability through our newly launched Career Centre. Many remain in our broad community, and a number go on to positions in the Group or with our partners and clients.

The programme is complemented by Experience Work Day, when offices across the Adecco Group open their doors to provide a taste of the working world for young people. In 2018, 4,000 Adecco Group employees shared their expertise with 8,000 young people across 47 countries.

204,000+

initial applications in 2018 for CEO for One Month

47 **talented people chosen to shadow Adecco Group country CEOs**

4,000 Adecco Group employees

shared their expertise with 8,000 young people across 47 countries as part of Experience Work Day

Win4Youth

Win4Youth is our flagship health engagement programme. It inspires our colleagues, candidates, associates and clients all around the world to live an active and healthy life by engaging in sports in order to drive positive impact on the lives of young people around the world. In 2018, thousands of colleagues across the Group logged a record of 8.6 million converted kilometres, resulting in a donation of CHF 500,000 to Plan International, our global NGO partner. Funds and volunteer expertise support Plan International programmes that train young people and place them in jobs or internships.

The biggest champions of the programme are our Win4Youth Ambassadors. Every year, a group of 70+ Adecco Group colleagues are selected for a life-changing experience: the Olympic-distance Win4Youth Ocean Lava triathlon in Lanzarote. In 2018, for the first time two associates were chosen as Ambassadors, reinforcing our message of inclusion and outreach. These remarkable individuals bring the programme and our core values of team spirit, responsibility, and passion, to life.

In 2018, The Adecco Group logged a record of

8.6 million

converted kilometres, resulting in a donation of CHF 500,000 to Plan International

> "The biggest boon to this programme is that we've been able to integrate the Adecco Group's expertise and network to create larger-scale social change."

Jess Markt,
Disability Sport & Integration Advisor, ICRC

For society

The Adecco Group joined the International Committee of the Red Cross' (ICRC) Corporate Support Group to help support and enhance the ICRC Disability, Sport and Inclusion Programme in current or recent conflict zones in 2017.

The ICRC's Disability Sport & Integration Advisor – international wheelchair basketball coach Jess Markt – and experts from the Adecco Group quickly saw an opportunity to develop the relationship beyond financial support to hands-on collaboration in helping people with disabilities in very challenging environments build their employability and find jobs.

This year, the partnership launched a new job acquisition training curriculum that will be rolled out to ICRC inclusion officers around the world in 2019, giving them the tools they need to train disabled athletes in areas such as self-assessment, writing resumes, job searches and conducting interviews.

The Adecco Group and ICRC will also seek to leverage their respective networks in government and education — along with the Adecco Group's deep pool of employer and professional societies and bodies — in order to "create larger-scale social change", according to Markt. The goal is not just to empower individuals to change their own futures, but for diverse societies to change the way they think about and support people with disabilities in the world of work.

Collaboration with the Group

Empowering athletes

The Group's athlete-focused programmes, aligned with the aims of the Foundation, support elite athletes to build their employability and make the transition from the world of sport to the world of business. In 2018, we engaged a total of 4,536 athletes in the programme. Since 2017 we have placed 415 in jobs, putting us well on our way towards our goal of achieving 1,000 placements by 2020. A newly launched mentoring platform, based on MentorcliQ's award-winning mentoring software and approach, now complements our offering. But it is not enough to prepare athletes for work: the market has to demand them. To create market pull we are thus working on building a community of companies who see concrete value in hiring athletes.

We engaged

4,536 **athletes in 32 countries in 2018 and placed**

415 **in jobs since 2017, well on our way to our 2020 target**

Sustainability

The Foundation complements the work of the sustainability function within the Group. Our ambition is to marry social value with sustainable business to create a compelling driver of differentiation and innovation, and shared value for all our stakeholders.

Where we are going

In the coming year, the Foundation will:

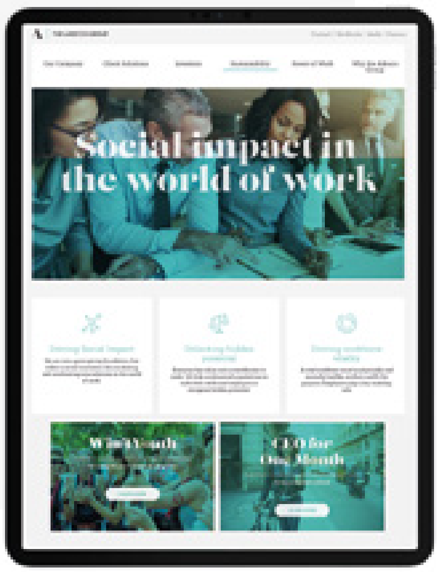
- Test the Workforce Vitality model in different contexts, for publication later in 2019;
- Look at ways to utilise the portfolio career methodology for further target audiences;
- Strengthen the value CEO for One Month-applicants get through the Career Centre, mentorships and an alumni network, and offer more work experience opportunities beyond the programme;
- Position Win4Youth as driver of employee and associate attraction and retention and increase client participation.

Global partnerships

The Adecco Group and its global Foundation work with a number of global and regional bodies to further policies, programmes and practices that support employment and skills. Examples include:

- Plan International: By teaming the employment expertise of the Adecco Group with the development knowledge and global reach of Plan International, our partnership focuses on co-creating new solutions to help young people build the skills and confidence to make the transition to the world of work. 2018 saw the initiation of the Fit for Future project in Vietnam, which helps train and employ young women in Hanoi in IT skills and places them in internships.
- International Committee of the Red Cross (ICRC): Our collaboration focuses on supporting and growing the ICRC's Physical Rehabilitation Programme (PRP), which uses sport to enable the rehabilitation, social inclusion and labour market integration of people with an impairment. Drawing on our expertise in training, employment and skills, in 2018 we tested a train-the-trainer approach in Ethiopia, which will now be rolled out to all ICRC inclusion officers in 2019.
- Global Alliance for YOUth: This business-driven movement is committed to helping young people become better prepared to enter the world of work and improve their opportunities in the marketplace. Member companies such as the Adecco Group are determined to develop a series of joint and individual initiatives to give young people significant work experience through on-the-job training, apprenticeships and traineeships.
- Global Apprenticeship Network: The Adecco Group and the Foundation are committed to promoting and facilitating apprenticeships as an answer to youth unemployment and skills mismatches. Together with the Global Apprenticeship Network, we are combating the stigma of apprenticeships and seeking to bridge the skills gap.
- Lucerne Festival: Leveraging the methodology of our athlete-focused career programmes, the Foundation provides career training to boost the employability of young musicians as part of the summer Lucerne Festival Academy.

Please see www.adeccogroupfoundation.org for further information on the Foundation's approach and activities.



in millions, except share and per share information

Improving underlying performance while transforming and innovating

Overview

The Adecco Group delivered a solid underlying performance in 2018. Revenues increased 1% on a reported basis, and were up 3% organically. This represented a slowdown when compared to the prior year, driven by weakening demand in most European markets. Gross margin was up 20 basis points ("bps") or up 10 bps organically. EBITA margin excluding one-offs was down 40 bps to 4.5%, as underlying productivity gains were offset by increased investments in the Group's strategic initiatives equivalent to (30) bps, reduced CICE subsidies in France equivalent to (20) bps and the impact of the ongoing transformation of the Group's German activities, which had a (20) bps impact.

Markets with especially strong performances in 2018 included: France, which grew 5% organically and trading days adjusted, ahead of the market and with an improving underlying EBITA margin, excluding the negative CICE impact; Italy with growth of 9% organically and EBITA margin improvement of 50 bps; Japan with growth of 5% organically and trading days adjusted and EBITA margin improvement of 30 bps. Switzerland, Norway, Australia & New Zealand and Latin America all achieved double-digit revenue growth.

Free cash flow of EUR 569 was below the level of the prior year, driven by the lower EBITA. DSO was 53 days, a slight increase from 52 days in 2017. During the year the Group distributed EUR 350 in dividends and repurchased shares for EUR 110 under share buyback programmes. Acquisitions, divestments, and other investing activities totalled a net outflow of EUR 182, including an outflow of EUR 393 for the acquisitions of Vettery and General Assembly, and an inflow of EUR 226 relating to proceeds from the disposal of the Group's investment in Beeline/IQNavigator.

Net debt ended the year at EUR 1,124, representing a ratio of 1.0x net debt to EBITDA excluding one-offs. During 2018, the Group took advantage of favourable conditions in the debt markets to issue CHF 100 8-year notes with a 0.875% coupon and JPY 6 billion 15-year notes with a 1.05% coupon.

Revenue growth slowed towards the end of 2018 and in early 2019, impacted by the further slowdown in the European economy. In Q4 2018, revenues declined 1% organically and trading days adjusted. In Q1 2019, revenues in January declined by 2% year on year, organically and trading days adjusted, and volume trends in February slightly decelerated. The Group will continue to closely monitor the economic environment and to steer the business accordingly, as it did successfully in Q3 and Q4 2018.

in EUR millions unless stated	FY 2018	FY 2017	Variance Reported	Variance Organic
Summary of income statement information				
Revenues	**23,867**	23,660	1%	3%
Gross profit	**4,433**	4,346	2%	3%
EBITA excluding one-offs[2]	**1,080**	1,158	-7%	-3%
EBITA[2]	**987**	1,151	-14%	-10%
Net income attributable to Adecco Group shareholders	**458**	788	-42%	
Diluted EPS (EUR)	**2.77**	4.66	-41%	
Dividend per share[1] (CHF)	**2.50**	2.50	0%	
Gross margin	**18.6%**	18.4%	20 bps	10 bps
EBITA margin excluding one-offs[2]	**4.5%**	4.9%	(40) bps	(20) bps
EBITA margin[2]	**4.1%**	4.9%	(80) bps	(60) bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)[3]	**903**	939		
Free cash flow (FCF)[3]	**569**	637		
Net debt	**1,124**	994		
Days sales outstanding	**53**	52		
Cash conversion[2,3]	**84%**	81%		
Net debt to EBITDA excluding one-offs[2]	**1.0x**	0.8x		

1 Dividend per share for 2018 as proposed by the Board of Directors.

2 Due to adoption of ASU 2017-07 – Presentation of net periodic pension and postretirement benefit cost in 2018, the 2017 figures were restated. Components of pension expense other than service cost of a EUR 2 gain previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

3 Due to adoption of ASU 2016-18 – Statement of Cash Flows (Topic 230): Restricted cash in 2018, the 2017 figures were restated for changes during the period related to restricted cash. As a result, cash flows from operating activities increased by EUR 7 in 2017.

Income Statement

Revenues

Full year 2018 revenues of EUR 23,867 were up 1% year on year on a reported basis. Currency fluctuations had a negative impact of approximately 2%, while acquisitions had a negligible impact. Organically, revenues increased by 3%.

Revenue growth was broad-based across service lines. Revenues in temporary staffing were EUR 20,729, flat on a reported basis and up 2% organically. Temporary hours sold decreased by 3% on an organic basis, due primarily to declines in North America, Germany and Rest of World. Permanent placement revenues were EUR 567 in 2018, an increase of 15% in reported terms, and 18% organically. Revenues from counter-cyclical Career Transition amounted to EUR 335 in 2018, a decrease of 9% reported, or 7% organically.

Revenues grew organically in most business lines. In General Staffing, revenues grew by 3%, with Industrial up 4% and Office up 1%, all on an organic basis. In Professional Staffing, revenues grew by 1%, comprising an increase of 7% in Medical & Science, 5% in Finance & Legal, flat in IT, and a decline of 3% in Engineering & Technical, all on an organic basis. In Solutions, revenues declined by 1%, comprising growth of 11% in Business Process Outsourcing and a decline of 5% in Career Transition and Talent Development, all organically.

Gross profit

Gross profit amounted to EUR 4,433 up 2% on a reported basis and 3% organically. The gross margin was 18.6%, up 20 bps compared to 2017. Currency had a (10) bps negative impact, while acquisitions and divestments had a 20 bps positive impact. On an organic basis, the gross margin was therefore up 10 bps.

The 10 bps increase in organic margin in 2018 comprised: a decline in temporary staffing gross margin of approximately (10) bps, of which (20) bps due to reduced CICE wage subsidies; a negative impact of (10) bps from Career Transition; and a positive impact of 30 bps from permanent placement.

Gross margin drivers YoY

in basis points	2018	2017
Temporary staffing	(10)	(40)
Permanent placement	30	10
Career transition	(10)	(10)
Organic	10	(40)
Acquisitions & divestments	20	(10)
Currency	(10)	10
Reported	20	(40)

Selling, general, and administrative expenses

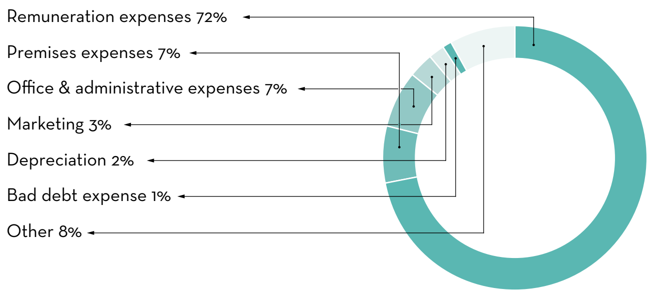
Selling, general, and administrative expenses (SG&A) excluding one-offs were EUR 3,353 in 2018, up 5% organically compared to 2017. SG&A excluding one-offs as a percentage of revenues was 14.0% in 2018, compared to 13.5% in 2017. The increase year-on-year was primarily due to strong growth in permanent placement, increased investments in the Group's strategic initiatives and the consolidation of General Assembly and Vettery. Reported SG&A in 2018 was EUR 3,446. In 2018, FTE employees increased by 2% organically year on year. Compared to 2017, the branch network increased by 3% organically, due to growth in Onsite locations.

In 2018, one-offs amounted to EUR 93 and comprised restructuring costs of EUR 67, software impairment of EUR 16 and acquisition and integration costs of EUR 10 (of the total EUR 93: EUR 4 were in France; EUR 4 in North America, UK & I General Staffing; EUR 8 in North America, UK & I Professional Staffing; EUR 26 in Germany, Austria, Switzerland; EUR 9 in Benelux & Nordics; EUR 1 in Japan; EUR 3 in Iberia; EUR 4 Rest of World; EUR 6 Career Transition and Talent Development; EUR 28 in Corporate). In 2017, one-offs amounted to EUR 7 and comprised restructuring costs of EUR 5 and integration costs of EUR 2 (of the total EUR 7: EUR 3 were in North America, UK & I General Staffing; EUR 2 in North America, UK & I Professional Staffing; and EUR 2 in Career Transition and Talent Development). The increase in restructuring costs in 2018 is consistent with guidance for EUR 200 total restructuring costs in 2018 and 2019, relating to the Group's transformation programme, as specified at the 2017 Capital Markets Day.

Remuneration expenses were EUR 2,489 in 2018, of which EUR 43 were one-off related, an increase of 8% in constant currency and representing 72% of total SG&A. Marketing expenses were EUR 101 in 2018, compared to EUR 85 in 2017. Bad debt expense was EUR 20 in 2018 and was flat vs. 2017.

SG&A breakdown

FY 2018



EBITA

EBITA excluding one-offs was EUR 1,080 in 2018, down 7% compared to 2017 or down 3% on an organic basis. The EBITA margin excluding one-offs was 4.5% in 2018, compared to 4.9% in 2017. Underlying productivity gains were offset by increased investments in the Group's strategic initiatives equivalent to (30) bps, reduced CICE subsidies in France for (20) bps and the impact of the ongoing transformation of the Group's German activities for approximately (20) bps.

The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 24.4% in 2018 compared to 26.7% in 2017.

in millions, except share and per share information

One-offs amounted to EUR 93 in 2018 and EUR 7 in 2017. EBITA was EUR 987 in 2018 compared to EUR 1,151 in 2017, a decrease of 14% or 10% on an organic basis. The EBITA margin was 4.1% in 2018 and 4.9% in 2017.

Amortisation of intangible assets and impairment of goodwill

Amortisation of intangible assets was EUR 52 compared to EUR 32 in 2017. In 2018 a goodwill impairment of EUR 270 relating to the Germany, Austria, Switzerland reporting segment was recognised in the fourth quarter. In 2017 a write-down of intangibles (trademarks, related to the streamlining of the Group's brand portfolio) of EUR 129 was recognised in the third quarter.

Operating income

Operating income was EUR 665 in 2018, negatively impacted by the impairment of goodwill, compared to EUR 990 in 2017.

Interest expense and other income/(expenses), net

Interest expense was EUR 38 in 2018, compared to EUR 52 in 2017. 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 2018, other income/(expenses), net amounted to an income of EUR 100, including a EUR 113 gain from the sale of the Group's stake in Beeline, and a EUR 25 expense to establish the Adecco Group US Foundation. Other income/(expenses), net was an income of EUR 1 in 2017.

Provision for income taxes

Provision for income taxes was EUR 267 in 2018, compared to EUR 149 in 2017. 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 2018, the effective tax rate excluding the impairment of goodwill, which is not tax deductible, was 27%. Discrete events had a positive impact of less than 1%. In 2017, the effective tax rate was 16% with discrete events having a 12% positive impact. This was primarily due to the revaluation of certain deferred tax positions, as a result of tax law changes in France and the USA.

Net income attributable to Adecco Group shareholders and basic EPS

Net income attributable to Adecco Group shareholders in 2018 was EUR 458, negatively impacted by the impairment of goodwill, compared to EUR 788 in 2017. Basic earnings per share (EPS) was EUR 2.77 in 2018 compared to EUR 4.67 in 2017.

Cash Flow Statement and net debt

Analysis of cash flow statements

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

in EUR millions	2018	2017
Summary of cash flow information		
Cash flows from operating activities	**727**	737
Cash used in investing activities	**(344)**	(113)
Cash used in financing activities	**(682)**	(695)

Cash flows from operating activities were EUR 727 in 2018, compared to EUR 737 in 2017. DSO was 53 days for the full year 2018 compared to 52 days for the full year 2017. Both years include the cash proceeds for the sale of a portion of the CICE receivables of EUR 224 in 2018 and EUR 179 in 2017.

Cash used in investing activities totalled EUR 344, compared to EUR 113 used in 2017. In 2018, cash settlements on derivative instruments was an outflow of EUR 4 compared to an inflow of EUR 39 in 2017. Capital expenditures amounted to EUR 158 in 2018 and EUR 100 in 2017. Acquisitions, divestments, and other investing activities totalled a net outflow of EUR 182, including an outflow of EUR 393 for the acquisition of Vettery and General Assembly, and an inflow of EUR 226 from the disposal of the investment in Beeline/IQNavigator. In 2017, acquisitions, divestments, and other investing activities totalled a net outflow of EUR 52, including an outflow of EUR 59 for the acquisition of BioBridges and Mullin, and an inflow of EUR 21 relating to deferred consideration due from the merger of the Beeline business with IQNavigator in 2016.

Cash used in financing activities totalled EUR 682, compared to EUR 695 in 2017. In 2018, the Company issued long-term debt of EUR 135, net of issuance costs, and repaid long-term debt of EUR 350. In 2017, the Company issued long-term debt of EUR 255, net of issuance costs, and repaid long-term debt of EUR 299. The Company paid dividends of EUR 350 in 2018 and EUR 374 in 2017, and purchased treasury shares for EUR 110 in 2018 (of which EUR 77 under the 2018 share buyback programme and EUR 33 under the 2017 share buyback programme) and EUR 304 in 2017 (of which EUR 267 under the 2017 share buyback programme).

Net debt

Net debt increased by EUR 130 to EUR 1,124, as at 31 December 2018. The ratio of net debt to EBITDA excluding one-offs was 1.0x, compared to 0.8x at 31 December 2017. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP:

in EUR millions	2018	2017
Net debt		
Short-term debt and current maturities of long-term debt	**267**	394
Long-term debt, less current maturities	**1,509**	1,562
Total debt	**1,776**	1,956
Less:		
Cash and cash equivalents	**652**	958
Short-term investments		4
Net debt	**1,124**	994

During 2018 the Group took advantage of favourable conditions in the debt markets to issue CHF 100 8-year notes with a 0.875% coupon and JPY 6 billion 15-year notes with a 1.05% coupon.

Planned cash outflows in 2019 include distribution of dividends for 2018 in the amount of CHF 2.50 per share. The maximum amount of dividends payable based on the total number of outstanding shares (excluding treasury shares), as at 31 December 2018 of 163,563,458 is CHF 409. Payment of dividends is subject to approval by shareholders at the Annual General Meeting.

Segment performance

Organic growth rates are reported where these differ from growth rates at constant currency.

France

In 2018, revenues in France increased by 6% to EUR 5,657. Temporary staffing revenues in France grew by 5% while permanent placement revenues grew by 22%.

Revenues increased by 6% in General Staffing, which accounts for over 90% of revenues, and increased by 5% in Professional Staffing. Revenue growth was strong in automotive and in manufacturing while it was muted in construction and retail. The segmentation strategy continues to gain traction, with good growth in the small customer segment and in onsite.

EBITA excluding one-offs amounted to EUR 356 in 2018. The EBITA of EUR 352 included one-offs of EUR 4. In 2017, EBITA amounted to EUR 344. In 2018 the EBITA margin excluding one-offs was 6.3%, compared to 6.4% in 2017. Good productivity growth, driven by the GrowTogether programme, mostly offset the negative impact from reduced CICE wage subsidies and increased strategic IT investments.

North America, UK&I General Staffing

Revenues in North America, UK&I General Staffing were EUR 2,972 in 2018, up 2% at constant rate compared to the prior year. Temporary staffing revenues were up 2% while permanent placement revenues were up 5%, both in constant currency.

In North America, representing 73% of the segment, revenues increased by 2% in constant currency. Growth improved during the course of the year, following a broadening of the customer base and improvement of the business mix. In the UK&I, representing 27% of the segment, revenue growth was 2% in constant currency, impacted by generally soft market conditions.

In 2018, EBITA excluding one-offs was EUR 96. EBITA of EUR 92 included one-offs of EUR 4 . In 2017, EBITA was EUR 93 and included one-offs of EUR 3. The EBITA margin excluding one-offs was 3.2% in 2018, compared to an EBITA margin excluding one-offs of 3.2% in 2017, with productivity gains offsetting increased investments in strategic initiatives, in particular IT investments.

North America, UK&I Professional Staffing

In 2018, revenues in North America, UK&I Professional Staffing were EUR 3,434, down 2% organically. Temporary staffing revenues were down 2% and permanent placement revenues were up 20%, both in constant currency.

In North America, representing 63% of the segment, revenues decreased by 1% in constant currency with good growth in the retail businesses offset by losses of some large clients in the enterprise business. Revenues decreased by 6% in IT and by 8% in Engineering & Technical in constant currency. Revenues increased by 9% in Finance & Legal in constant currency and by 5% in Medical & Science, organically. In UK&I, which comprises 37% of the segment, revenues decreased by 2% in constant currency, impacted by lower client and candidate confidence due to economic and political uncertainty related to the process of exiting the European Union.

EBITA excluding one-offs amounted to EUR 193 in 2018. EBITA of EUR 185 included one-offs of EUR 8. In 2017, EBITA of EUR 208 included one-offs of EUR 2. The EBITA margin excluding one-offs was 5.6% in 2018, compared to 5.8% in 2017, impacted by investments in strategic initiatives and in the acquired Vettery business.

Germany, Austria, Switzerland

In Germany, Austria, Switzerland, revenues were EUR 2,148 in 2018, down 1% in constant currency. Revenues in General Staffing, which accounts for over 80% of the total in Germany, Austria, Switzerland, were down 4%, impacted by a slowdown in the German economy, particularly in the automotive sector, by regulatory changes in Germany and by disruption resulting from the merger of the Adecco and Tuja businesses. Revenues in Professional Staffing grew by 10% in constant currency.

EBITA excluding one-offs amounted to EUR 48 in 2018. The EBITA of EUR 22 included one-offs of EUR 26. In 2017, EBITA amounted to EUR 91. In 2018, the EBITA margin excluding one-offs was 2.2%, compared to 4.2% in 2017.

Benelux & Nordics

In 2018, revenues in Benelux & Nordics were EUR 2,075, up 1% in constant currency. In Benelux, revenues decreased by 1% organically, with growth impacted by softer market conditions and reduced demand at a few large clients. In the Nordics, revenues were up 4% in constant currency, with double-digit growth in Norway and Finland partly offset by a low-single-digit decline in Sweden.

In 2018, EBITA excluding one-offs was EUR 53, leading to an EBITA margin of 2.5%. EBITA of EUR 44 included one-offs of EUR 9. In 2017, the EBITA was EUR 72 and the margin was 3.5%. The margin was negatively impacted by client mix and lower subsidies in Belgium.

Italy

Revenues in Italy increased by 9% in 2018, to EUR 1,997, including 23% growth in permanent placement. Growth was solid across all major sectors, including manufacturing, automotive, chemicals and logistics.

EBITA in 2018 was EUR 163 compared to EUR 141 in the previous year. The EBITA margin was 8.2% in 2018, compared to 7.7% in 2017.

in millions, except share and per share information

Japan

In Japan, revenues in 2018 were EUR 1,289, up 4% in constant currency. Revenues grew by 4% in temporary staffing, by 26% in permanent placement, both in constant currency, and decreased by 2% in outsourcing, organically. In General Staffing, revenues were up 1% in constant currency. In Professional Staffing, which represents almost 30% of revenues and comprises Finance & Legal, IT and Engineering & Technical, revenues increased by 11% in constant currency.

EBITA excluding one-offs was EUR 91 in 2018, compared to EUR 86 in 2017. In 2018, EBITA of EUR 90 included one-offs of EUR 1. The EBITA margin excluding one-offs was 7.1% in 2018, compared to 6.8% in 2017.

Iberia

Revenues in Iberia were EUR 1,127 in 2018, an increase of 4% compared to the previous year. Revenues increased by 1% in temporary staffing and by 9% in outsourcing compared to 2017.

EBITA excluding one-offs was EUR 60 in 2018, compared to EUR 56 in 2017. In 2018, EBITA of EUR 57 included one-offs of EUR 3. The EBITA margin excluding one-offs was 5.3% in 2018, compared to 5.2% in 2017.

Rest of World

In 2018, revenues in Rest of World increased by 4% in constant currency, with Australia & New Zealand up 13%, Latin America up 13%, Eastern Europe & MENA up 4%, Asia down 3%, and India down 14%.

In 2018, EBITA excluding one-offs was EUR 98, compared to EUR 92 in 2017. In 2018, EBITA of EUR 94 included one-off costs of EUR 1 in Australia & New Zealand, EUR 1 in Latin America, EUR 1 in Eastern Europe & MENA and EUR 1 in Asia. The EBITA margin excluding one-offs was 3.6% in 2018, compared to the EBITA margin of 3.3% in 2017, as a result of a continued focus on improving client mix.

Career Transition & Talent Development

Lee Hecht Harrison and General Assembly represent the Adecco Group's Career Transition & Talent Development businesses. Revenues in 2018 amounted to EUR 447, a decrease of 5% organically, reflecting the counter-cyclical nature of Career Transition. Currency fluctuations had a negative impact of 4%, while the acquisition of General Assembly had a 14% positive impact on revenues.

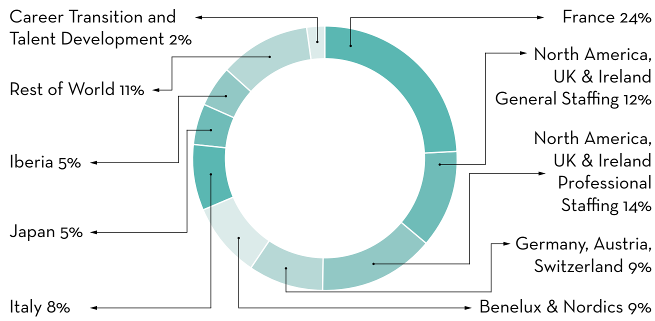
EBITA excluding one-offs was EUR 82 in 2018, compared to EUR 121 in 2017. The EBITA of EUR 76 included one-off costs of EUR 6. In 2017, EBITA of EUR 119 included integration costs of EUR 2 related to the acquisition of Mullin. The EBITA margin excluding one-offs was 18.4% in 2018 compared to 28.6% in 2017. The EBITA margin was negatively impacted by the consolidation of General Assembly and negative operating leverage.

Outlook

In Q4 2018, revenues declined by 1%, organically and trading days adjusted, continuing the slowing trend that started at the beginning of year. In Q1 2019, revenues in January declined by 2% year on year, organically and trading days adjusted, and volume trends in February slightly decelerated. The nature of the Group's activities means that forward visibility is generally low. However, the Group will adapt to any changes in market conditions, maintaining price discipline and tight cost control.

The Company has taken financial commitments to deliver leading total shareholder returns. These are: 1) accelerate structural organic revenue growth, and increase the revenue growth GDP multiplier from 3x to 4x by 2020; 2) achieve sustained EBITA margin improvement, and deliver SG&A productivity savings of EUR 250 per annum by 2020 (a 100 bps reduction in SG&A/revenues compared to 2016); 3) maintain a progressive dividend policy, even in a recession, and deliver continued strong free cash flow while making strategic investments.

2018 revenue split by segment



Temporary staffing organic variance YoY by segment

	Organic variance		
	Hours sold	Bill rate	Revenues
France	4%	1%	5%
N. America, UK&I General Staffing	-4%	7%	2%
N. America, UK&I Professional Staffing	-6%	3%	-2%
Germany, Austria, Switzerland	-10%	9%	-2%
Benelux & Nordics	-3%	3%	1%
Italy	9%	-1%	8%
Japan	0%	4%	4%
Iberia	1%	1%	1%
Rest of World	-8%	12%	3%
Adecco Group	-3%	6%	2%

Revenues by segment

	Revenues in EUR millions		Variance				% of total revenues	
	2018	2017	EUR	Constant currency	Organic	Organic TDA[1]	2018	2017
France	**5,657**	5,350	6%	6%	6%	5%	**24%**	23%
N. America, UK&I General Staffing	**2,972**	3,017	-1%	2%	2%	2%	**12%**	13%
N. America, UK&I Professional Staffing	**3,434**	3,608	-5%	-1%	-2%	-2%	**15%**	15%
Germany, Austria, Switzerland	**2,148**	2,185	-2%	-1%	-1%	-2%	**9%**	9%
Benelux & Nordics	**2,075**	2,079	0%	1%	1%	1%	**9%**	9%
Italy	**1,997**	1,837	9%	9%	9%	9%	**8%**	8%
Japan	**1,289**	1,276	1%	4%	4%	5%	**5%**	5%
Iberia	**1,127**	1,085	4%	4%	4%	4%	**5%**	4%
Rest of World	**2,721**	2,799	-3%	4%	4%	4%	**11%**	12%
Career Transition & Talent Development	**447**	424	5%	9%	-5%	-5%	**2%**	2%
Adecco Group	**23,867**	23,660	1%	3%	3%	3%	**100%**	100%

1 TDA = trading days adjusted.

Organic revenue variance YoY, trading days adjusted

	2018				
	Q1	Q2	Q3	Q4	FY
France	10%	8%	5%	-1%	5%
North America, UK&I General Staffing	-1%	4%	0%	4%	2%
North America, UK&I Professional Staffing	-2%	-2%	-2%	-2%	-2%
Germany, Austria, Switzerland	2%	4%	-2%	-9%	-2%
Benelux & Nordics	10%	4%	-3%	-6%	1%
Italy	19%	11%	6%	1%	9%
Japan	5%	3%	4%	6%	5%
Iberia	15%	5%	0%	-4%	4%
Rest of World	6%	5%	7%	1%	4%
Career Transition & Talent Development	-9%	-4%	-4%	-1%	-5%
Adecco Group	**6%**	**4%**	**2%**	**-1%**	**3%**

The Adecco Group in the market context, 2018

	Adecco Group		Market		Adecco Group	
	Revenues EUR millions	Organic variance	Revenues EUR billions	Variance in constant currency	Market Share	Market Position
France	5,657	6%	26	3%	22%	1
North America, UK&I	6,406	0%	162	3%	4%	2
Germany, Austria, Switzerland	2,148	-1%	41	1%	5%	2
Benelux & Nordics	2,075	1%	35	5%	6%	2
Italy	1,997	9%	12	15%	16%	1
Japan	1,289	4%	117	9%	1%	4
Iberia	1,127	4%	7	5%	17%	2
Rest of World	2,721	4%	87	3%	3%	2
Career Transition & Talent Development	447	-5%	16	4%	3%	1
Adecco Group	**23,867**	**3%**	**503**	**4%**	**5%**	**1**

in millions, except share and per share information

Revenues by business line[1]

	Revenues in EUR millions		Variance			% of total revenues	
	2018[2]	2017[2]	EUR	Constant currency	Organic	2018	2017
Office	5,463	5,606	-3%	1%	1%	**23%**	24%
Industrial	12,692	12,301	3%	4%	4%	**53%**	51%
General Staffing	**18,155**	17,907	1%	3%	3%	**76%**	75%
Information Technology	2,545	2,592	-2%	1%	0%	**11%**	11%
Engineering & Technical	995	1,066	-7%	-3%	-3%	**4%**	5%
Finance & Legal	1,012	999	1%	5%	5%	**4%**	4%
Medical & Science	549	503	9%	13%	7%	**2%**	2%
Professional Staffing	**5,101**	5,160	-1%	2%	1%	**21%**	22%
CTTD	447	424	5%	9%	-5%	**2%**	2%
BPO	164	169	-3%	2%	11%	**1%**	1%
Solutions	**611**	593	3%	7%	-1%	**3%**	3%
Adecco Group	**23,867**	23,660	1%	3%	3%	**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).

2 2017 and 2018 Information Technology and Industrial have been restated following reclassification for Digital Brands from BPO. 2017 Engineering & Technical and Information Technology have been restated following reclassifications for Modis.

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

	EBITA excluding one-offs		One-offs		EBITA	
in EUR millions	2018	2017[1]	2018	2017[1]	2018	2017[1]
France	**356**	344	**(4)**		**352**	344
North America, UK&I General Staffing	**96**	96	**(4)**	(3)	**92**	93
North America, UK&I Professional Staffing	**193**	210	**(8)**	(2)	**185**	208
Germany, Austria, Switzerland	**48**	91	**(26)**		**22**	91
Benelux & Nordics	**53**	72	**(9)**		**44**	72
Italy	**163**	141	**–**		**163**	141
Japan	**91**	86	**(1)**		**90**	86
Iberia	**60**	56	**(3)**		**57**	56
Rest of World	**98**	92	**(4)**		**94**	92
Career Transition & Talent Development	**82**	121	**(6)**	(2)	**76**	119
Corporate	**(160)**	(151)	**(28)**		**(188)**	(151)
Adecco Group	**1,080**	1,158	**(93)**	(7)	**987**	1,151

1 Due to adoption of ASU 2017-07 – Presentation of net periodic pension and postretirement benefit cost in 2018, the 2017 figures were restated. Components of pension expense other than service cost of a EUR 2 gain previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

EBITA and EBITA margin excluding one-offs by segment

	EBITA excluding one-offs in EUR millions				EBITA margin excluding one-offs		
			Variance				Variance
	2018	2017[1]	EUR	Constant currency	2018	2017[1]	bps
France	**356**	344	3%	3%	**6.3%**	6.4%	(10)
North America, UK&I General Staffing	**96**	96	0%	4%	**3.2%**	3.2%	–
North America, UK&I Professional St.	**193**	210	-8%	-4%	**5.6%**	5.8%	(20)
Germany, Austria, Switzerland	**48**	91	-47%	-47%	**2.2%**	4.2%	(200)
Benelux & Nordics	**53**	72	-26%	-26%	**2.5%**	3.5%	(100)
Italy	**163**	141	16%	16%	**8.2%**	7.7%	50
Japan	**91**	86	5%	9%	**7.1%**	6.8%	30
Iberia	**60**	56	7%	7%	**5.3%**	5.2%	10
Rest of World	**98**	92	7%	16%	**3.6%**	3.3%	30
Career Transition and Talent Development	**82**	121	-32%	-29%	**18.4%**	28.6%	(1,020)
Corporate	**(160)**	(151)					
Adecco Group	**1,080**	1,158	-7%	-5%	**4.5%**	4.9%	(40)

1 Due to adoption of ASU 2017-07 – Presentation of net periodic pension and postretirement benefit cost in 2018, the 2017 figures were restated. Components of pension expense other than service cost of a EUR 2 gain previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

EBITA and EBITA margin by segment

	EBITA in EUR millions				EBITA margin		
			Variance				Variance
	2018	2017[1]	EUR	Constant currency	2018	2017[1]	bps
France	**352**	344	2%	2%	**6.2%**	6.4%	(20)
North America, UK&I General Staffing	**92**	93	-1%	3%	**3.1%**	3.1%	–
North America, UK&I Professional St.	**185**	208	-11%	-7%	**5.4%**	5.8%	(40)
Germany, Austria, Switzerland	**22**	91	-76%	-76%	**1.0%**	4.2%	(320)
Benelux & Nordics	**44**	72	-39%	-38%	**2.1%**	3.5%	(140)
Italy	**163**	141	16%	16%	**8.2%**	7.7%	50
Japan	**90**	86	5%	9%	**7.0%**	6.8%	20
Iberia	**57**	56	2%	2%	**5.1%**	5.2%	(10)
Rest of World	**94**	92	3%	11%	**3.5%**	3.3%	20
Career Transition and Talent Development	**76**	119	-36%	-33%	**17.1%**	28.1%	(1,100)
Corporate	**(188)**	(151)	24%	30%			
Adecco Group	**987**	1,151	-14%	-12%	**4.1%**	4.9%	(80)

1 Due to adoption of ASU 2017-07 – Presentation of net periodic pension and postretirement benefit cost in 2018, the 2017 figures were restated. Components of pension expense other than service cost of a EUR 2 gain previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

in millions, except share and per share information

FTE employees and branches by segment

	FTE employees				Branches			
			Variance				Variance	
	2018	2017[1]	Reported	Organic	2018	2017	Reported	Organic
France	**5,314**	5,045	5%	5%	**1,140**	1,088	5%	5%
North America, UK&I General Staffing	**4,294**	4,428	-3%	-3%	**775**	712	9%	9%
North America, UK&I Professional Staffing	**5,239**	5,083	3%	0%	**461**	473	-2%	-2%
Germany, Austria, Switzerland	**2,821**	2,781	1%	1%	**443**	443	0%	0%
Benelux & Nordics	**2,592**	2,479	5%	4%	**478**	459	4%	4%
Italy	**2,087**	1,912	9%	9%	**432**	411	5%	5%
Japan	**2,081**	2,039	2%	2%	**144**	146	-2%	-2%
Iberia	**1,821**	1,668	9%	9%	**423**	396	7%	7%
Rest of World	**5,697**	5,766	-1%	-1%	**657**	675	-3%	-3%
Career Transition and Talent Development	**2,219**	2,071	7%	-5%	**268**	264	2%	2%
Corporate	**608**	515	18%	18%				
Adecco Group	**34,774**	33,787	3%	2%	**5,221**	5,067	3%	3%

1 Due to re-organisation the FTE employees were reclassified between North America, UK&I General Staffing and North America, UK&I Professional Staffing.

Controls and compliance

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

The Board of Directors and management of the Company are responsible for establishing and maintaining adequate Internal Control Over Financial Reporting. Management has assessed the effectiveness of the Company's Internal Control Over Financial Reporting as at 31 December 2018. In making this assessment, management used the principles established in the updated Internal Control – Integrated Framework (May 2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as at 31 December 2018, the Company's Internal Control Over Financial Reporting is effective.

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

Forward-looking statements

Information in this Annual Report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Annual Report are based on information available to the Company as at 14 March 2019, 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 2018

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

In keeping with our approach, we continue to maintain an open dialogue with the financial community through our Investor Relations activities. In September 2018, we hosted an Analyst and Investor Seminar in London, at which management provided a progress update on the "Perform, Transform, Innovate" strategic agenda, with a particular focus on the initiatives GrowTogether and New Ventures. During the year, we devoted a further 31 days to market communication, often following our quarterly results releases or when participating in broker conferences. In total, we met with more than 300 investors during the year.

Analyst coverage

The Adecco Group's development is closely monitored by the financial community. Currently 23 brokers actively cover the Group, maintaining regular contact with management and the Investor Relations team. They comprise: ABN Amro, Alpha Value, Bank of America Merrill Lynch, Bank Vontobel, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, Baader Bank, HSBC, Intermonte, Jefferies, Kepler Cheuvreux, MainFirst, Mirabaud, Morningstar, Morgan Stanley, Oddo BHF, Royal Bank of Canada, UBS and Zürcher Kantonalbank.

At the start of 2018, 33% of the analysts recommended buying shares in the Adecco Group, 48% had a neutral view, and 19% recommended selling the shares. The year 2018 ended with 50% of the analysts having a buy recommendation, 45% being neutral, and 5% 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 18,000 shareholders. Our top 20 shareholders held approximately 47% of the issued and outstanding share capital as of year end 2018. European institutional investors increased their holdings in the Adecco Group during the year and owned 60% of shares issued at the end of 2018, compared to 52% at the end of 2017. The percentage held by North American institutions decreased to 20%, compared to 25% at the end of 2017. The number of shares in issue at year end 2018 was 166,575,927, including treasury shares.

Shareholder concentration

as of year end 2018	in % of shares issued
Top 5 investors	20%
Rest of top 10 investors	12%
Rest of top 20 investors	15%
Rest of top 50 investors	18%
Others	35%

Shareholder structure

as of year end, in % of shares issued	2018	2017[1]
Institutional		
– Europe	**60%**	52%
– North America	**20%**	25%
– Rest of World	**2%**	5%
Retail	**5%**	10%
Insider and Treasury	**2%**	3%
Unassigned	**11%**	5%

1 During 2018, the methodology for determining institutional investor domicile was modified, due to a change of data provider. As a result, data for 2017 has been restated.

Share performance report

During 2018, the Adecco Group share price decreased by 38%, underperforming the SMI by 28% and outperforming a basket of our key competitors[1] by 3%. The year 2018 was marked by significant stock market volatility, particularly in the fourth quarter, and the Adecco Group share price, and those of its close peers, generally declined over the course of the year.

Continuing the positive stock market momentum of late 2017, driven by strong economic data, especially in Europe, Adecco Group shares had a positive start to 2018, reaching an intra-year high of CHF 79.58 on 15 January 2018. Nevertheless, the shares proceeded to decline from that point, as concerns rose about the sustainability of the strong economic growth. The shares were particularly weak following the Q4 2017 results, on 1 March 2018, due to a slowing revenue growth rate in January and February and weaker profitability, which was impacted by a number of unfavourable non-recurring items and increased strategic investments. A further slowdown in organic growth, confirmed with the Q1 2018 results, combined with weaker equity markets, led the share price to decline to CHF 58.76 as of 30 June 2018.

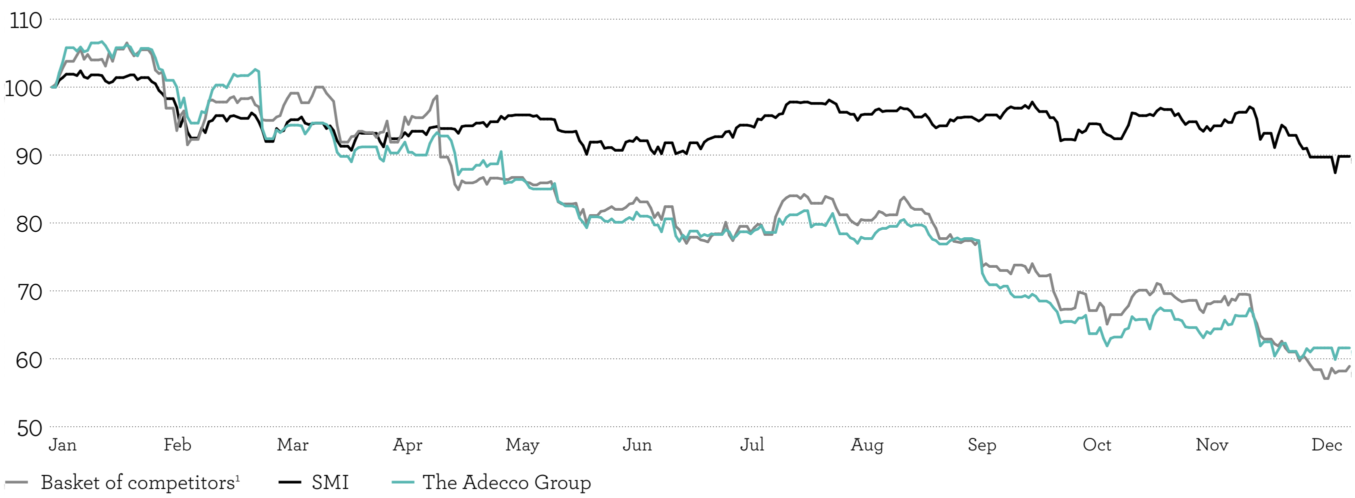
The Group's improving operating performance, evident from the Q2 2018 results, and broadly stable equity markets provided support to the share price during July and August. However, the shares sharply declined on the release of a trading update ahead of the Analyst and Investor Seminar, on 19 September, which indicated a significant slowing in demand and revenue growth, primarily due to Continental Europe.

Earnings estimate revisions and negative sentiment on the staffing sector weighed on the shares for most of the fourth quarter, despite good Q3 2018 results in early November, which showed an underlying EBITA margin improvement, helped by the delivery of the first GrowTogether productivity savings. In the second part of November and in December, amidst a broad-based stock market sell-off, due to increasing concerns about the global economy, Adecco Group shares reached an intra-year low of CHF 44.66, on 27 December, and ended the year at CHF 45.93.

This represents a share price decline of 38% and a total shareholder return (TSR) decline of 36%, when measured in Swiss Francs. Translated into Euros the decline was 33%. The Adecco Group's market capitalisation, based on issued shares, was CHF 7.7 billion at the end of 2018, compared with CHF 12.8 billion at the end of 2017.

Adecco Group share price 2018 in CHF

Share price performance comparison 2018 in CHF, indexed to 100



1 Randstad and Manpower Group (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 payout 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 payout ratio is exceeded.

For 2018, a dividend of CHF 2.50 will be proposed to shareholders at the Annual General Meeting on 16 April 2019, representing a payout ratio of 48% of 2018 adjusted EPS.

Additional capital returns

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

- EUR 400 million in June 2012 (completed in September 2013);
- EUR 250 million in September 2013 (completed in November 2014);
- EUR 250 million in November 2014 (completed in January 2016);
- EUR 300 million in March 2017 (completed in March 2018);
- EUR 150 million In March 2018 (completed in March 2019).

The Adecco Group ended 2018 with a strong financial position. Net debt amounted to EUR 1,124 million and the ratio of net debt to EBITDA excluding one-offs was 1.0x at 31 December 2018.

Share valuation data

	2018	2017	2016	2015	2014
Valuation metrics					
P/E ratio	**14.7**	13.6	14.8	n.m.	15.8
EV/EBITA ratio	**8.0**	10.3	10.5	11.1	11.9
Dividend yield	**5.4%**	3.4%	3.6%	3.5%	3.1%
Share price (CHF)					
Year end	**45.93**	74.55	66.65	68.90	68.85
Year high	**79.58**	79.15	67.90	83.60	78.60
Year low	**44.66**	67.55	45.01	59.35	58.85
Total shareholder return					
TSR in CHF	**-36.0%**	15.5%	-0.9%	2.9%	0.2%
TSR in EUR	**-33.5%**	5.8%	1.5%	13.4%	1.8%
In CHF millions					
Market capitalisation[1]	**7,651**	12,760	11,408	12,021	12,330
Enterprise value[2]	**8,649**	13,923	12,357	13,154	13,495
In EUR millions[3]					
Market capitalisation[1]	**6,798**	10,906	10,662	11,028	10,275
Enterprise value[2]	**7,922**	11,900	11,549	12,067	11,246

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

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

3 Exchange rates EUR/CHF 2018: 1.13; 2017: 1.17; 2016: 1.07; 2015: 1.09; 2014: 1.20.

THE ADECCO GROUP

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 20 March 2018 and entered into force 1 May 2018. 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 (published on 29 February 2016).

Additionally, on 20 November 2013, the Swiss Federal Council approved the Ordinance Against Excessive Compensation at Listed Corporations (the Ordinance) which entered into force on 1 January 2014. The Ordinance was issued to implement the key elements of the so-called Minder-Initiative, a constitutional amendment approved by the Swiss electorate in March 2013. The Ordinance is applicable to listed companies with a registered office in Switzerland and has introduced a number of obligations and requirements such as (i) the individual and yearly election of the members of the Board, the Chair, the members of the remuneration committee and the independent proxy agent by the shareholders, (ii) the amendment of the AoI, (iii) the content of the Remuneration Report, (iv) an annual binding say of the shareholders on the compensation of the members of the Board and of the Executive Committee (EC), and (v) provisions regarding employment terms. The Ordinance forbids certain compensation payments (such as severance payments) and obliges pension funds to exercise their voting rights and to disclose their voting behaviour. Non-compliance with the provisions of the Ordinance may entail criminal sanctions.

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

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

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

Corporate Governance

Structure, shareholders and capital

1. Structure and shareholders

1.1 Legal and management structure

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

Adecco Group AG is listed on the SIX Swiss Exchange (symbol ADEN, security number 1213860; ISIN CH0012138605). As of 31 December 2018, 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 7.7 billion. On 4 March 2019, this market capitalisation amounted to approximately CHF 8.8 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 Career Transition & Talent Development, which correspond to the primary segments. This structure is complemented by business lines.

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

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

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

As of 1 January 2019, 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;
- Mark De Smedt, Regional Head of Northern Europe (until 31 March 2019);
- Ian Lee, Regional Head of Asia Pacific;
- Sergio Picarelli, Regional Head of North America, UK & Ireland Professional Staffing and of Talent Solutions;
- Enrique Sanchez, Regional Head of Iberia, Italy, Eastern Europe & MENA (Middle East & North Africa);
- Federico Vione, Regional Head of North America, UK & Ireland General Staffing and Latin America;
- Gordana Landen, Chief Human Resources Officer (as of 7 January 2019);
- Stephan Howeg, Chief Marketing & Communications Officer;
- Rob James, Chief Information Officer;
- Teppo Paavola, Chief Digital Officer (as of 14 January 2019).

The Company comprises numerous legal entities around the world. The major consolidated subsidiaries of the Adecco Group are listed on page 158 of this Annual Report. No subsidiary has shares listed on a stock exchange.

1.2 Significant shareholders

As of 31 December 2018, the total number of shareholders directly registered with the share register of Adecco Group AG was approximately 16,800; the major shareholders during 2018 and their shareholdings were disclosed to Adecco Group AG as listed in the following table, which shows the last notifications published on the SIX website up to 31 December 2018.

Please note that percentages of shareholdings refer to the date of disclosure unless indicated otherwise, up to 31 December 2018, and may have changed in the meantime.

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

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

Investor	Date of SIX publication	Percentage of voting rights as disclosed
Adecco Group AG	10.07.2018	Falling below threshold of 3%
Akila Finance S.A.	28.05.2014	4.31% equity, 0.26% sale positions[1]
Group BlackRock Inc.	30.12.2018	5.19% purchase positions, 0.08% sale positions
Invesco Limited, Bermuda	20.03.2018	Falling below threshold of 3%
Marathon Asset Management LLP	28.09.2018	3.06%
Norges Bank	25.12.2018	Falling below threshold of 3%
Silchester International Investors LLP	25.10.2018	5.02%

1 As per current share capital: 4.90% equity, 0.30% sale positions. Beneficial owners have been disclosed.

As of 31 December 2018, Adecco Group AG is not aware of any person or legal entity, other than those stated above, that directly or indirectly owned 3% or more of voting rights in Adecco Group AG, as defined by the Swiss disclosure requirements. Adecco Group AG is not aware of shareholders' agreements, other than those described in the aforementioned disclosures, between its shareholders pertaining to Adecco Group AG shares held.

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

For further information refer to section 7.1.

1.3 Cross-shareholdings

As of 31 December 2018, 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 19 April 2018, the Company's shareholders approved the cancellation of 4,580,260 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 4,580,260 registered shares with a nominal value of CHF 0.10 each. The cancellation of 4,580,260 treasury shares was effective 4 July 2018. Since 4 July 2018, the share capital of the Company amounts to CHF 16,657,592.70 divided into 166,575,927 shares.

As of 31 December 2018, the share capital of Adecco Group AG registered with the Commercial Register amounted to CHF 16,657,592.70 divided into 166,575,927 fully paid up registered shares with a nominal value of CHF 0.10 per share.

2.2. Authorised and conditional capital

The Board of Directors is authorised to increase the share capital in an amount not to exceed CHF 855,780.90 through the issuance of up to 8,557,809 fully paid registered shares with a nominal value of CHF 0.10 per share by not later than 30 April 2019. Increases in partial amounts shall be permitted.

The conditional capital of CHF 1,540,000 divided into 15,400,000 registered shares with a nominal value of CHF 0.10 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 authorised/conditional capital, refer to Art. 3^{bis} and 3^{quater} of the AoI (http://aoi.adeccogroup.com).

Structure, shareholders and capital continued

2.3 Changes in share and conditional capital

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

	Issued shares		Authorised capital		Conditional capital	
in CHF millions, except shares	Shares	Amount	Shares	Amount	Shares	Amount
1 January 2015	**179,081,810**	**179.1**			**19,566,804**	**19.6**
Share cancellation	(4,606,873)	(4.6)				
31 December 2015	**174,474,937**	**174.5**			**19,566,804**	**19.6**
Share cancellation	(3,318,750)	(3.3)				
31 December 2016	**171,156,187**	**171.2**			**19,566,804**	**19.6**
31 December 2017	**171,156,187**	**17.1**	**8,557,809**	**0.9**	**15,400,000**	**1.5**
Share cancellation	(4,580,260)	(0.4)				
31 December 2018	**166,575,927**	**16.7**	**8,557,809**	**0.9**	**15,400,000**	**1.5**

2.4 Shares and participation certificates

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

As of 31 December 2018, 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 2018, 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 2018, the Board of Adecco Group AG consisted of eight members. All members qualify as independent and non-executive members (see below 3.2). Committee memberships are shown as per 31 December 2018, but may have changed during 2018.

From left to right: Kathleen Taylor (Vice-Chair), Didier Lamouche, Ariane Gorin, Alexander Gut, Rolf Dörig (Chair), Regula Wallimann, David Prince, Jean-Christophe Deslarzes.

For Committee memberships please see sections 3.4.1-3.4.3.

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 2018. All members are elected for a one-year term of office until the end of the next Annual General Meeting of Shareholders.

Rolf Dörig

- Swiss national, born 1957.
- Rolf Dörig has been a member of the Board of Directors since May 2007. He has served on various committees and has been Chair of the Board of Directors since January 2009 and member of the Governance and Nomination Committee since April 2017.
- 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], member of the Board of Directors of dormakaba Holding AG[1], member of the Board of Directors of Emil Frey Holding AG, all in Switzerland, and member of the Supervisory Board of Danzer Holding AG in Austria. In June 2017, Rolf Dörig was appointed Chairman of the Swiss Insurance Association (SIA). Furthermore, he is a member of the Board Committee of economiesuisse, Switzerland.

Kathleen Taylor

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

Kathleen Taylor is Chair of the Board of the SickKids Hospital Foundation, Canada, and a member of the Hospital's Board of Trustees. She is also a member of the Principal's International Advisory Board of McGill University and of the Dean's Advisory Council of the Schulich School of Business of York University, both in Canada. She is a member of the National Council of the C.D. Howe Institute, Canada, and the Co-Chair of its Human Capital Policy Council, furthermore, she is a member of the Advisory Council on Jobs and the Visitor Economy of the Canadian Government.

Jean-Christophe Deslarzes

- Swiss national, born 1963.
- Jean-Christophe Deslarzes has been a member of the Board of Directors since April 2015. He has been Chair of the Compensation Committee since April 2018 (member since April 2016) and has been member of the Governance and Nomination Committee since April 2018. He was a member of the Audit Committee from April 2015 until 2018.
- 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 general management roles in Europe and Canada, including as Senior Vice President Human Resources and member of the Executive Committee of Alcan Group as well as President and CEO, Downstream Aluminium Businesses, Rio Tinto, based in Montreal. He served as Chief Human Resources and Organisation Officer and member of the Executive Board at Carrefour Group, based in Paris, from 2010 to 2013. Since November 2013, Jean-Christophe Deslarzes has been Chief Human Resources Officer and member of the Executive Committee of ABB Group[1], based in Zurich, Switzerland.

Ariane Gorin

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

1 Listed company.

Alexander Gut

- British and Swiss national, born 1963.
- Alexander Gut has been a member of the Board of Directors since May 2010. He has served on various committees and has been Chair of the Governance and Nomination Committee since April 2018 and a member of the Compensation Committee since April 2015.
- Alexander Gut holds a doctorate degree in business administration (Dr. oec. publ.) from the University of Zurich, Switzerland, and is a Swiss Certified Accountant.
- From 1991 to 2001 he was with KPMG in Zurich and London and from 2001 to 2003 with Ernst & Young in Zurich, where he became a partner in 2002. From 2003 to 2007 he was a partner with KPMG in Zurich, where he became a member of the Executive Committee of KPMG Switzerland in 2005.
- Alexander Gut is the founder and managing partner of Gut Corporate Finance AG. Furthermore, he is a member of the Board of Directors of Credit Suisse Group[1], Credit Suisse (Switzerland) AG and SIHAG Swiss Industrial Holding AG, all in Switzerland.

Didier Lamouche

- French national, born 1959.
- Didier Lamouche has been a member of the Board of Directors since April 2011. He has been a member of the Audit Committee since April 2017. He was a member of the Corporate Governance Committee from April 2011 until April 2017.
- Didier Lamouche obtained a PhD and Engineer Degree in semiconductor technology from Ecole Centrale de Lyon, France.
- He was CEO of Altis Semiconductor from 1998 to 2003. From 2003 to 2005, he held the position of Vice President of Worldwide Semiconductor Operations at IBM Microelectronics. From 2005 to 2010, Didier Lamouche was Chairman and Chief Executive Officer at Bull. He was a member of the Board of Directors of STMicroelectronics from 2006 to 2010. From October 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. From April 2013 to October 2018, he was CEO of Idemia (formerly Oberthur Technologies), France.
- Didier Lamouche has held numerous mandates as non-executive director at boards of various listed and non-listed companies.

1 Listed company.

David Prince

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

Regula Wallimann

- Swiss national, born 1967.
- Regula Wallimann has been a member of the Board of Directors and a member of the Audit Committee since April 2018.
- She obtained a business degree (lic. oec. HSG) from University of St. Gallen, Switzerland and is a Certified Public Accountant, both Swiss and US.
- From 1993 to 2017, Regula Wallimann worked for KPMG Switzerland, where she acted during 14 years as global lead partner for various large listed and non-listed international and national clients. From 2012 to 2014, Regula Wallimann was member of KPMG Switzerland's strategic Partners' Committee.
- Regula Wallimann has been non-executive board member and member of the audit committee of Straumann Holding AG[1] since 2017, Switzerland, and non-executive board member and head of the finance and audit committee of Swissgrid AG since 2017, Switzerland. Furthermore, she has been a non-executive board member and member of the audit committee of Helvetia Holding AG[1] since April 2018, Switzerland. She has been member of the supervisory board of the institute for Accounting, Control and Auditing of the University of St. Gallen, Switzerland, since 2010.

Board of Directors, Executive Committee and compensation continued

3.2 Other activities and vested interests of the Board of Directors

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

As of 31 December 2018, all members of the Board were independent and non-executive, none of them (i) having been in an executive function with the Company during the past three years, or (ii) having any other significant or important business relation with the Adecco Group, or (iii) having served directly or indirectly as or for the auditors of the Adecco Group.

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

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

3.3 Elections and terms of office

Pursuant to the AoI, the Board consists of at least five members (Art. 16 sec. 1 of the AoI; http://aoi.adeccogroup.com). Members of the Board are elected individually for a term of office of one year, until the end of the next AGM, and may be re-elected for successive terms (Art. 16 sec. 2 of the AoI; http://aoi.adeccogroup.com). Adecco Group AG's AoI do not limit the number of terms a member may be re-elected to the Board. Candidates to be elected or re-elected to the Board are proposed by the Board to the AGM. For succession planning considerations, see section 3.4.1.

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

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

As of 31 December 2018, the Board is composed of eight non-executive members.

3.4 Internal organisational structure

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

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

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

The Board's committees are the Audit Committee, the Governance and Nomination Committee, and the Compensation Committee. As from the AGM 2019, a new Digital Platform and Technology Committee will be established, with the focus directed on the Company's digital and technology strategy (see section 3.4.4).

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

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

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

In 2018, the Board held 15 meetings and phone conferences.

Number and duration of meetings and phone conferences during 2018:

	Full Board of Directors	Audit Committee	Governance and Nomination Committee	Compensation Committee
Number of meetings in person	6	5	5	5
Number of phone conferences	9	5	2	1
Total number of meetings	**15**	**10**	**7**	**6**
Average duration in hours:				
– Meetings in person	6½	2½	3½	1½
– Phone conferences	½	½	½	1½

Attendance at meetings and phone conferences during 2018:

	Full Board of Directors	Audit Committee	Governance and Nomination Committee	Compensation Committee
Number of meetings in total	**15**	**10**	**7**	**6**
Rolf Dörig	15	10[1]	7	6[1]
Kathleen Taylor	15	10	6	6
Jean-Christophe Deslarzes	13	4[4]	4[5]	5
Ariane Gorin	15	9		
Alexander Gut	15	1[1]	7	6
Didier Lamouche	15	10		
David Prince	15	10	7	
Regula Wallimann[2]	7	6		
Wanda Rapaczynski[3]	6		3	2

1 Guest, without voting right.

2 Member of the Board of Directors since 19 April 2018.

3 Member of the Board of Directors until 19 April 2018.

4 Member of the Audit Committee until 19 April 2018.

5 Member of the Governance and Nomination Committee since 19 April 2018.

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

Board of Directors, Executive Committee and compensation continued

3.4.1 Governance and Nomination Committee (GNC)

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

- Supporting the preparation of defining strategic opportunities and priorities for the Group;
- Reviewing the Group's corporate governance structures and principles and independence rules, including principles and measures on Corporate Responsibility, as well as reassessing such principles and rules, including the Group's Code of Conduct, to ensure that they remain relevant and in line with legal and stock exchange requirements; recommendations as to best practice are also reviewed to ensure compliance;
- Overseeing the Group's monitoring of the market and regulatory developments, including questions of market-related risks;
- Analysing the composition and type of shareholders and reviewing, amongst others, the Group's dividend policy;
- Overseeing the Group's initiatives and reviewing the principles related to Corporate Social Responsibility;
- Providing recommendations to the Board regarding its size and composition. For this purpose, the GNC has developed and monitors, based on the needs of the Board and the attributes of its members, criteria such as independence and diversity in all its aspects, including senior leadership experience in a global enterprise, experience in areas of strategic importance for the Group, in particular in HR, Digital and IT or in geographical regions of importance, financial expertise, transformation and change expertise as well as age and gender for the selection of potential candidates to be elected or re-elected as members of the Board and its committees. The GNC is mandated to identify individuals who meet such criteria and to recommend them to the Board as candidates for election to ensure that the long-term succession planning provides for a balance of necessary competencies and an appropriate diversity of its members over time. The candidates to the Board must possess the necessary profile, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Group. Furthermore, the GNC is mandated to review candidates proposed and to assess and advise the Board on whether they meet such criteria;
- Providing recommendations to the Board regarding the selection of candidates for the EC;
- Assuring talent development including retention and succession planning;
- Ensuring that self-evaluations of the Board and of its committees are carried out and monitored, with a view to appropriate measures of improvement.

Due to the creation of the Board's new Digital Platform and Technology Committee (DPTC) and the corresponding assignment of responsibilities between the Board committees, beginning with the office period AGM 2019, the GNC will focus its activities on matters related to Governance, Nomination and Talent Development.

The GNC defines its annual programme and roadmap according to focus topics of the year. In 2018, the GNC held seven meetings. The CEO represents the EC in the meetings. The Chief Human Resources Officer typically participates in the meetings for specific topics.

As of 31 December 2018, the members of the GNC were:

Name	Position
Alexander Gut	Chair of the GNC
Jean-Christophe Deslarzes	Member
Rolf Dörig	Member
David Prince	Member
Kathleen Taylor	Member

3.4.2 Audit Committee (AC)

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

- Integrity of the Company's financial statements and other financial reporting and disclosure to any governmental or regulatory body and to the public and other users thereof;
- Adequacy and effectiveness of the systems of the Internal Controls Over Financial Reporting (ICOFR) and of the disclosure controls;
- Performance of the Company's internal audit function;
- Qualifications, engagement, compensation, independence and performance of the Company's Auditors, their conduct of the annual audit and their engagement for any other services (refer to section 8. "Auditors");
- 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 2018, the AC held ten 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, the Group General Counsel and the partners of the Auditors typically participate in the meetings. For compliance reporting matters, the Head of Group Compliance Reporting participates in the meetings. Usually, the Board's Chair participates in the Committee's meetings as guest without voting right.

All members of the AC, including the Chair, are considered independent as per paragraph 1 and 2 of section 3.2 and the independence requirements of the Swiss stock exchange.

As of 31 December 2018, the members of the AC were:

Name	Position
David Prince	Chair of the AC
Ariane Gorin	Member
Didier Lamouche	Member
Kathleen Taylor	Member
Regula Wallimann	Member

The BoD will appoint Regula Wallimann as Chair of the AC, effective after the AGM of April 2019.

3.4.3 Compensation Committee (CC)

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

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

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

The CC has established a roadmap which determines the Committee's main discussion topics throughout the year. In 2018, the CC held six meetings. For specific subjects, the CEO represents the EC in the meetings. The Chief Human Resources Officer typically participates in the meetings. Members of management do not participate in CC meetings when their individual compensation matters are discussed. Usually, the Board's Chair participates in the Committee's meetings as guest without voting right.

As of 31 December 2018, the members of the CC were:

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

3.4.4 Digital Platform and Technology Committee (DPTC) (as of AGM 2019)

The DPTC's primary responsibility will be to assist the Board in carrying out its responsibilities as they relate to the Company's digital and technology strategy, particularly relating to:

- Digital ventures: Oversee the performance of and investment in current and future digital ventures, whether acquisitions or organic investments; Oversee management's plan for how the digital ventures and global Adecco Group brands interact and leverage each other's capabilities;
- Technology: Receive updates and where appropriate, demonstrations about emerging technologies and trends, their potential impact on or application within Adecco Group, and management's plan for capitalising on these; Oversee management's progress and investment in technology initiatives either as disrupter or as an enabler to increase the efficiency and improve client and candidate satisfaction in the core business;
- Data: Oversee management's investment in data and data science as an enabler to differentiate and outperform, ensuring data use abides by relevant regulatory frameworks;
- Partnerships: Oversee management's structuring of relationships with global technology platforms.

The DPTC will consist of at least three members of the Board. The CEO, the Chief Digital Officer and the Chief Information Officer typically will participate in the DPTC meetings.

3.5 Responsibilities of the Board and the CEO

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

3.6 Information and control instruments

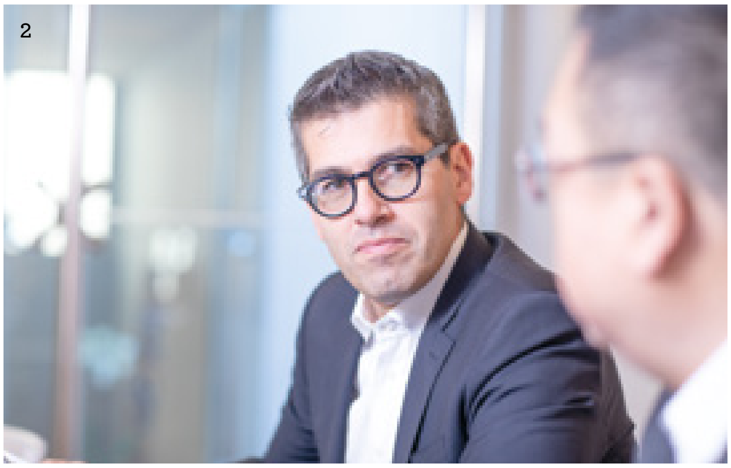
The Board's instruments of information and control vis-à-vis management consist of the following main elements:

- All members of the Board regularly receive information about current developments;
- The CEO reports to the Chair of the Board on a regular basis, while extraordinary events are communicated immediately;
- Formal meetings of the Board and of the Board's committees including sessions with the CEO and with other members of the EC or other individuals, at the invitation of the Chair;
- Informal meetings and phone conferences between members of the Board and the CEO, as well as with other members of the EC;
- The management information system of the Company which includes (i) the monthly financial results including key performance indicators and (ii) a structured quarterly operational review of the major countries. Summarised consolidated monthly reports are distributed to each member of the Board; further details are provided to the members of the Board upon request;
- The Group Internal Audit function as established by the Board; the Head of Group Internal Audit reports to the AC and has periodic meetings with its Chair; the responsibilities of Group Internal Audit are defined by the AC as part of their oversight function in coordination with the CEO and CFO. Group Internal Audit is concerned with the assessment of how the Company (i) complies with pertinent laws, regulations and stock exchange rules relating to accounting, auditing, financial reporting and disclosure or other financial matters, (ii) conducts its related affairs, and (iii) maintains related controls. The Company has a risk management process in place which is adequate for the size, complexity and risk profile of Adecco Group AG and focuses on managing risks as well as identifying opportunities: refer to the Company Report, section "Risk management and principal risks" and to Note 19 "Enterprise risk management" to the consolidated financial statements of the Adecco Group. The process is embedded in the Company's strategic and organisational context and covers the significant risks for the Company including financial, operational and strategic risks. The Board oversees the management's risk analysis and the key measures taken based on the findings of the risk review process;
- External Audit: refer to section 8. "Auditors".

Board of Directors, Executive Committee and compensation continued

4. Executive Committee

1

2

5

6

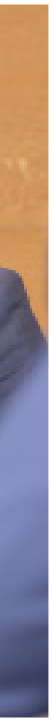
7

10


1. Rob James, 2. Federico Vione, 3. Sergio Picarelli, 4. Alain Dehaze,
5. Enrique Sanchez, 6. Teppo Paavola, 7. Christophe Catoir, 8. Gordana Landen, 9. Ian Lee,
10. Mark De Smedt, 11. Hans Ploos van Amstel, 12. Stephan Howeg


3


4




8


9


11


12

Board of Directors, Executive Committee and compensation continued

4. Executive Committee

4.1 Biographies of the members of the Executive Committee

The following sets forth the name, year of birth, year of entry to the Company, nationality, professional education and principal positions of those individuals who served as members of the EC of the Company as of 1 January 2019.

Alain Dehaze

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

Hans Ploos van Amstel

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

Christophe Catoir

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

Mark De Smedt

- Belgian national, born 1961.
- Regional Head of Northern Europe since January 2016, Chief Human Resources Officer from January 2014 to April 2016. Member of the EC since January 2014 until 31 March 2019.
- Mark De Smedt has a degree in Commercial Engineering from the Free University of Brussels and has attended MBA/Management programmes in Chicago, Harvard, INSEAD and the London Business School.
- Mark De Smedt joined the Adecco Group in 2009 as Country Manager for Belgium & Luxembourg. He was previously a founder of Professional Staffing specialist XPE Group, acquired by the Adecco Group in 2009. 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 Exxon, Wang, Apple, Citibank, and Scoot in France, Netherlands, Spain and Belgium.

Ian Lee

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

Sergio Picarelli

- Italian national, born 1967.
- Regional Head of North America, UK and Ireland Professional Staffing and global oversight of Lee Hecht Harrison, General Assembly, Badenoch+Clark, Spring Professional & Pontoon since January 2019. Regional Head of Italy, Eastern Europe & MENA and India from October 2015 until December 2018 (India until December 2017). Chief Sales Officer from October 2009 to September 2015. Member of the EC since October 2009.
- Sergio Picarelli graduated in business administration from Bocconi University, Milan, Italy.
- In 1993, Sergio Picarelli joined the Adecco Group in Italy, starting as Managing Director of an Adecco Group Company (Permanent Placement). In 1997, he was appointed Chief Sales and Marketing Director Italy. From 2002 to 2004 Sergio Picarelli served as Regional Head for Central Europe and was thereafter appointed Chief Operating Officer of the Adecco Group Staffing Division Worldwide. From 2005 to 2009 he served as Country Manager of Adecco Italy & Switzerland (Switzerland until the end of 2008).

Enrique Sanchez

- Spanish national, born 1967.
- Regional Head of Iberia, Italy, Eastern Europe & MENA since January 2019 (Iberia since October 2009). Regional Head of Latin America from October 2009 to December 2018. Member of the EC since October 2009.
- Enrique Sanchez obtained a degree in psychology at Complutense University, Madrid, Spain, and holds an MBA from IESE, Madrid, Spain.
- Enrique Sanchez joined Adecco Spain in 1993 as Branch Manager. In 1995, he became Regional Manager of the Central Region. In 1997, he was appointed Operations Manager, and in 2001 President and General Manager of Adecco Spain and Portugal. From 2003 to 2005, Enrique Sanchez was General Manager for Spain and Portugal, and was also responsible for the development of the company in Latin America and Eastern Europe. In 2005, he returned to Spain, becoming responsible for the Adecco Group Iberia.

Federico Vione

- Italian national, born 1972.
- Regional Head of North America, UK & Ireland General Staffing since April 2017 and of Latin America since January 2019, Chief Sales & Innovation Officer from October 2015 to March 2017. Regional Head of Italy, Eastern Europe & India from September 2011 to September 2015 (incl. MENA as of 2012), Regional Head of Italy & Eastern Europe from October 2009 to August 2011. Member of the EC since October 2009.
- Federico Vione graduated in economics from Università G. D'Annunzio in Pescara, Italy.
- Federico Vione joined the Adecco Group in 1999 as Branch Manager and was subsequently appointed Manager of the Abruzzo-Molise area. In 2001, he became the National Key Account Manager for the Chemical and Pharma sector, and subsequently for the Large-Scale Trade sector. After various roles in Ajilon in Europe, and further functions at Group level and Head of Eastern Europe, he was appointed Country Manager Italy in 2009.
- Federico Vione was Vice President of Assolavoro (Associazione Nazionale delle Agenzie per il Lavoro), Italy, between 2010 and 2012.

Gordana Landen

- Swedish national, born 1964.
- Chief Human Resources Officer and member of the EC since 7 January 2019.
- Gordana Landen joined the Adecco Group as Chief Human Resources Officer in January 2019.
- Gordana Landen holds a Bachelor's degree in Human Resource Development and Labour Relations from Stockholm University.
- Gordana Landen held a number of senior positions at Ericsson in Sweden, the UK and the United States from 1993 to 2008. Between 2008 and 2015, she was Senior Vice President Group Human Resources and member of the Executive Management Team at Svenska Cellulosa Aktiebolaget (SCA), Sweden. From 2015 to 2018, Gordana Landen served as Group Chief Human Resources Officer at Signify (formerly Philips Lighting), The Netherlands.

Stephan Howeg

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

Rob James

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

Board of Directors, Executive Committee and compensation continued

Teppo Paavola

- Finnish national, born 1967.
- Chief Digital Officer and member of the EC since 14 January 2019.
- Teppo Paavola joined the Adecco Group as Chief Digital Officer in January 2019.
- Teppo Paavola holds an MBA from INSEAD and a Master's degree in Economics from Helsinki School of Economics.
- Teppo held several executive positions at Nokia between 2004 and 2012, Finland, including Vice President and General Manager of Mobile Financial Services. From 2012 to 2014 he was Vice-President, Head of Global Business Development, M&A and Developer Relations at PayPal, United States and from 2014 to 2018 Chief Development Officer and General Manager of New Digital Businesses at BBVA Group, Spain. He is a Board Member of 3 Step IT.

4.2 Other activities and vested interests

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

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

4.3 Management contracts

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

5. Compensation, shareholdings and loans

Please refer to the Remuneration Report.

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

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

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

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

Further information

6. Shareholders' rights

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

Information rights

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

Dividend payment

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

Companies whose principal purpose consists of participations in other companies may freely use the statutory reserves from capital contribution and statutory retained earnings to the extent they exceed 20% of the paid-in share capital. Pursuant to Art. 671 para. 1 of the Swiss Code of Obligations, 5% of the annual profits shall be allocated to the statutory retained earnings until the statutory reserves from capital contribution and the statutory retained earnings have reached 20% of the paid-in share capital. In addition, pursuant to Art. 671 para. 2 and para. 4 of the Swiss Code of Obligations, companies whose principal purpose consists of participations in other companies shall allocate to the statutory reserves from capital contribution and statutory retained earnings the following: (1) any surplus over nominal value upon the issue of new shares after deduction of the issuance cost, to the extent such surplus is not used for depreciation or welfare purposes; (2) the excess of the amount which was paid-in on cancelled shares over any reduction on the issue price of replacement shares. The statutory reserves from capital contribution and statutory retained earnings amounted to CHF 409 million as of both, 31 December 2018 and 31 December 2017, thereby exceeding 20% of the paid-in share capital in both years.

In 2018 the AGM approved a dividend of CHF 2.50 per share outstanding (totalling CHF 414 million, EUR 353 million). For 2018, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the AGM.

Say on pay

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

Liquidation and dissolution

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

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

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

Further capital calls by Adecco Group AG

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

Subscription rights

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

Further information continued

6.1 Voting rights and representation restrictions

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

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

6.2 Legal and statutory quorums

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

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

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

6.3 Convocation of the General Meeting of Shareholders

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

6.4 Agenda

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

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

6.5 Registration in the share register

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

7. Changes of control and defence measures

7.1 Duty to make an offer

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

7.2 Change of control clause

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

8. Auditors

Each year, the AGM of Adecco Group AG elects the statutory auditor ("Auditors"). On 19 April 2018, the AGM elected Ernst & Young Ltd, Zürich, as statutory auditor of the Company for the business year 2018.

Ernst & Young Ltd has served the Company as its Auditor since 2002, the engagement being renegotiated annually. In line with Swiss regulation, periodic rotation of the auditor in charge ("lead auditor") is executed. André Schaub, licensed audit expert, has acted as the auditor in charge since 2012 and will handover the lead auditor position to Jolanda Dolente for the financial year 2019, as required by applicable law. Jolanda Dolente, licensed audit expert, has been the global engagement partner since 2017. As of 2019, the new global engagement partner will be Roland Ruprecht. André Schaub will no longer be involved with the audit of Adecco Group AG.

The total fee for the Group audit of the Company and for the statutory audits of the Company's subsidiaries for the fiscal year 2018 amounted to EUR 6.8 million.

For the fiscal year 2018, additional fees of EUR 0.3 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 Auditors, the conformity of the Company's financial statements with accounting principles generally accepted in the United States and the requirements of Swiss law.

The AC regularly meets with the Auditors, at least five times a year, to discuss the results of their examinations, and the overall quality of the Company's financial reporting. During 2018, 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 2018 audit of the Company. The Auditors are responsible for expressing an opinion on the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. Further, the Auditors are required, under the auditing standards generally accepted in the United States, to discuss, based on written reports, with the AC their judgements as to the quality, not just the acceptability, of the Company's accounting policies as applied in the Company's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and disclosures. Further, the Auditors are responsible for expressing opinions on the standalone financial statements of Adecco Group AG.

The AC oversees the work of the Auditors and it reviews and assesses, at least annually, their independence, qualification, performance and effectiveness. 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 2018 is planned to be held on 16 April 2019 at the Beaulieu Centre de Congrès et d'Expositions, in Lausanne, Switzerland. The details will be published in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt") at least 20 days before the meeting.

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

7 May 2019	Q1 2019 results;
8 August 2019	Q2 2019 results;
5 November 2019	Q3 2019 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 Group Policy on tax that is approved by the Board of Directors and clearly defines the expected behaviors of its teams around the world. Tax matters are regularly discussed at the Audit Committee of the Board of Directors. The Company reports revenues and pays taxes in the countries where it operates and value is created. The Company seeks to protect value for its shareholders and fully complies with both the tax law in all countries where it operates and international standards, namely OECD's standards. The Company's internal transfer pricing guidelines stipulate that all intercompany transactions must be performed at arm's length. These guidelines are under constant review and follow the recommendations issued by the OECD. By communicating in a transparent way, the Company works towards fostering mutually constructive and open relationships with tax authorities, also with the purpose of reducing the risk of challenge and dispute. The Company also seeks to remove uncertainty and financial risk by entering into contemporaneous tax audit programmes or advanced agreements with tax authorities where possible. The Company does not engage in artificial tax-driven structures and transactions.

THE ADECCO GROUP

At a glance

1. Introduction

Dear Shareholders,

We are pleased to introduce the Remuneration Report of the Adecco Group for 2018.

2018 was a year of significant strategic progress and also some challenges. On the one hand, our teams in the vast majority of countries delivered solid financial performance, and the Group's digital transformation gathered momentum, with the GrowTogether programme delivering its first tangible results. We also strengthened our innovation agenda with the acquisitions of General Assembly and Vettery, establishing a solutions portfolio with a breadth and depth that is unrivalled in the industry. On the other hand, it was a year in which the economic environment became increasingly difficult, and in which our German business was disrupted by certain industry and legislative changes and the merger of the Group's general staffing operations there.

Despite a material slowdown in economic growth in Europe, particularly in the second half, Group organic revenue growth remained positive, at 3% for the full year. While EBITA margin excluding one-offs was impacted by a higher level of investments, the underlying margin trend improved through the year. We again generated good cash flow and 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.

In the reporting year, the Compensation Committee (CC) continued the refinement of the reward framework, in particular the short-term performance-based compensation. As from 2019, the short-term incentive plan for the Executive Committee members and the top 300 leadership roles below EC level (also referred to as Global Leadership) will include quarterly objectives in addition to the annual financial objectives. This with the purpose to reflect the cyclical market movements of the business in the reward system and encourage consistent target achievement throughout the year.

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

With regards to the remuneration of the Board members, the Board of Directors approved minimum shareholding requirements, that will be effective as of the term from AGM 2019 to AGM 2020.

You will find further information on the CC activities and on our remuneration systems in this Remuneration Report. The report will be submitted to a non-binding, consultative vote by shareholders at the AGM 2019.

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

The Board of Directors

Zürich, 13 March 2019

Remuneration Report

Executive summary

Governance Refer to section 2.	The Board has entrusted the CC to provide support in establishing and reviewing the remuneration philosophy, principles and plans, in determining the remuneration of the Board and EC members and preparing the proposals to the AGM. Shareholders approve the Maximum Total Amounts of Remuneration of the Board and EC in an annual binding prospective vote. Further, they have the opportunity to express their opinion on the remuneration actually awarded for the reporting year in a consultative vote on the Remuneration Report.
Remuneration philosophy & principles Refer to section 3.	The Adecco Group's remuneration philosophy is to recognise and reward performance. It reflects the Company's commitment to attract, retain and motivate employees in order to support the achievement of the Company's business objectives. The remuneration philosophy translates into the following core principles: • Reward for performance • Alignment to shareholders' interests • Internal fairness and external competitiveness
Remuneration of the Board Refer to sections 4.1. and 5.1.	The members of the Board receive fixed remuneration for their work on the Board and in the committees of the Board. The remuneration is delivered in the form of cash and shares. The latter are blocked 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			8.4
Annual bonus with Short-Term Incentive Plan (STIP)			
Rewards annual financial performance of The Adecco Group and its businesses, as well as strategy delivery and performance of the function	• EBITA • Revenues • EBITA margin	• Day Sales Outstanding (DSO) • Strategic objectives • Functional objectives	
Annual cash			4.5
Long-Term Incentive Plan (LTIP) Rewards long-term shareholder value creation and promotes a management shareholder culture • Relative TSR with three-year cliff-vesting and two-year blocking period after vesting			
Performance Share Awards			4.3
Benefits Provide for a reasonable level of income in case of retirement, death or disability; and fringe benefits reflecting local practice			
Pensions, insurances, fringe benefits			3.4
Total 2018[1]			**20.6**

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

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

The Adecco Group's Remuneration Report is written in accordance with the requirements of the Ordinance against Excessive Compensation with respect to Listed Companies and the Directive on Information relating to Corporate Governance, issued by the SIX Swiss Exchange and as amended on 20 March 2018. 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 last 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

First, shareholders annually prospectively approve the Maximum Total Amount of Remuneration of 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 CC

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

The CC is composed of independent Board members who are elected individually by the shareholders at the AGM for a term of office of one year ending after completion of the next AGM. Further details on the CC composition, responsibilities and activities are provided in the Corporate Governance Report, section 3.4.3 "Compensation Committee".

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

The CC meets as often as business requires, but at least five times a year. In 2018, the CC held five meetings and one conference call. Details on meeting attendance of the individual CC members are provided in the Corporate Governance Report, section 3.4 "Internal organisational structure".

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

2.3 Role of external advisors

The CC may decide to consult external advisors from time to time for specific remuneration matters. In 2018, Agnès Blust Consulting AG, an independent Swiss executive compensation consulting firm, was commissioned to provide a remuneration benchmark for the roles in the Board of Directors. The Adecco Group also engaged Willis Towers Watson, an international independent external consultant, to provide compensation and benefits benchmarks, and Obermatt, an independent Swiss financial research firm, was mandated to calculate achievement level and vesting payout under the LTIP. Those companies have no other mandates with the Adecco Group. Furthermore, PricewaterhouseCoopers LLP UK (PwC), the UK entity of the global audit firm, provided advice on specific questions relating to the Long-Term Incentive Plan. PwC have other mandates with the Adecco Group.

Illustration 1: Authority levels in remuneration matters[1]

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

1 Within the framework set out 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 as well as for attaining strategic goals, and fosters collaboration. The LTIP incentivises management for creating long-term shareholder value.
Alignment to shareholders' interests	The LTIP is delivered in the form of share-based remuneration and thus aligns the interests of management with those of the shareholders.
Internal fairness and external competitiveness	The remuneration is internally consistent and externally competitive. Base salaries are generally set at the median level of the relevant function in the local market. Local benefits are defined in line with local regulations and competitive practice. Total remuneration is reviewed periodically to ensure competitiveness in attracting and retaining talent.

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

The level of remuneration of the Board and of the EC members is reviewed every two to three years to ensure market competitiveness. For this purpose, during the reporting year the CC mandated Agnès Blust Consulting AG to provide a benchmark analysis of the remuneration of the Board, and Willis Towers Watson to provide an analysis of EC members' remuneration. These benchmark analyses serve as basis for the setting of remuneration for the Board from AGM 2019 to AGM 2020 and for the review of EC target remuneration levels for financial years 2018 and 2019. Consistent with the last analysis performed in 2016, the benchmark analysis for the remuneration of the Board was based on a peer group of 15 companies listed on the Swiss stock exchange, comprising: ABB, Credit Suisse, DKSH Holding, Kuehne + Nagel, LafargeHolcim, Novartis, Richemont, Roche Holding, Schindler, The Swatch Group, Swisscom, Swiss Life, Swiss Re, UBS and Zurich Insurance Group.

As outlined in the 2017 remuneration report, the definition of the relevant market for the benchmarking of the remuneration of the EC members was updated as an outcome of the 2017 reward framework refinement. The remuneration of EC roles is primarily compared with that for similar positions based on a Pan-European peer group comprised of the following 36 companies:

ABB	Diageo	Novartis
Acciona	ENGIE	Randstad
AccorHotels	Ericsson	Royal Mail
Adidas AG	Experian	Sanofi
AMEC	Ferguson Group Services	Scania
Barry Callebaut	Ferrovial	Schindler
Bunzl	Geberit	Serco Group
Bureau Veritas	General Electric	Shire
Capgemini	Henkel AG & Co. KGaA	SITA
Carrefour	Ipsen	Sodexo
Coca-Cola European Partners	Lonza	Sulzer
Deutsche Post DHL	Merck KGaA	TUI AG

For the CEO, an additional comparison was made against a local Swiss peer group composed of the following companies: ABB, Dufry, Kuehne + Nagel, LafargeHolcim, Nestlé, Novartis, Richemont, Roche, Schindler and Swisscom.

Generally, factors such as scope and responsibilities of the function, including geographic responsibility, revenues, number of employees, and skill-set required to perform the role are considered to identify the relevant benchmarks.

4. Remuneration structure

4.1 Board of Directors' remuneration

4.1.1 Remuneration system

In order to ensure 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 blocking period 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 2018 to AGM 2019 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)		
Audit Committee Chair[3]	133,333	66,667
Other Committee Chairs[3]	100,000	50,000
Other committee members	33,330	16,670

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

2 No entitlement to additional fee for committee work.

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

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

For the amounts paid to the individual members of the Board in the period under review (1 January to 31 December 2018), refer to section 5.1 "Board of Directors' remuneration and shareholding".

4.1.2 Outlook for the term from AGM 2019 to AGM 2020

For the term from AGM 2019 to AGM 2020, it is foreseen that the remuneration system for the Board will remain the same as for the term from AGM 2018 to AGM 2019. The Board of Directors decided to establish a new committee focusing on the Group's digital strategy as from AGM 2019. For the description of the new committee and its tasks, refer to the Corporate Governance report, section 3.4.4 "Digital Platform and Technology Committee (DPTC)".

Furthermore, the Board of Directors approved minimum shareholding requirements for board members, that will be effective as of the term from AGM 2019 to AGM 2020. The board members are required to build up and own a minimum of 5,000 Company shares within three years of their election to the Board. To calculate whether the minimum holding requirement is met, all shares granted as part of their remuneration are considered as held, regardless of whether they are blocked or not. The Board of Directors reviews compliance with the shareholding guideline on an annual basis.

4.2 Executive Committee's remuneration

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

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

Illustration 4: Elements of the EC remuneration

	Element	Purpose	Drivers	Performance measures
Base salary	Cash salary, typically paid in monthly instalments	• Pay for the role • Attract and retain	• Function • Market value • Skills and experience	n.a.
Short-term incentive	Annual cash bonus	• Pay for performance	• Achievement of annual business objectives	• EBITA • Revenues • EBITA margin • DSO • Strategic and functional
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 financial performance of the company and its businesses, as well as for the achievement of non-financial strategic objectives.

Compared to the STIP 2017, the plan design has been enhanced with the introduction of non-financial objectives in the performance metrics to reflect progress on key strategic priorities. Furthermore, a matrix combines EBITA, Sales and EBITA margin achievements, thus providing for a balanced focus on both EBITA and Sales achievements. For example, overachievement on Sales but underachievement on EBITA would counterbalance the overall payout.

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 85% of the annual base salary, depending on their function and responsibilities.

The annual financial performance represents 80% of the STIP for the CEO, CFO and EC members with a direct responsibility for a region, and 65% of the STIP for the other EC members. Annual financial performance is measured on the following key value drivers: operating income before amortisation and impairment of goodwill and intangible assets (EBITA), revenues, EBITA margin and Days Sales Outstanding (DSO). These performance metrics are the key levers that management can influence to increase shareholder value. To incentivise behaviours that focus on both revenues and EBITA, a matrix combines the performance of EBITA, revenues and EBITA margin. For EC members with direct responsibility for a region, 50% of the STIP is based on the combined EBITA and sales matrix at the regional level, 15% at the Adecco Group level and 15% on DSO at regional level.

The strategic objectives make up 20% of the STIP for all EC members and include performance objectives around customer satisfaction (such as net promoter score "NPS") and internal promotion rate to Global Leadership and EC positions. For the EC members without a direct responsibility for a region and other than CEO and CFO, the remaining 15% is based on the achievement of functional targets.

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 also determined. The payout is capped at 150%. For achievement between those levels, the payout percentage is calculated by linear interpolation. Any performance adjustment such as unbudgeted items related to acquisitions and divestitures or reorganisations must be approved by the CC.

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

Performance targets for the STIP metrics are both market- and commercially-sensitive and as such are considered confidential. Hence, they are not published. However, the Company discloses ex post the overall degree to which performance has been achieved (refer to section 5.2 "Executive Committee's remuneration for 2018").

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.

The STIP design is enhanced further for the year 2019, as described in the section "4.2.7 2019 Outlook" (page 98).

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

		Weight					
Objective	Performance metrics	CEO CFO	Regional Heads	Other EC members[1]	Baseline	Target	Cap
Financial	Combined EBITA & sales & EBITA margin Adecco Group	65%	15%	65%	90%	Per budget	110%[2]
	Combined EBITA & sales & EBITA margin Regional P&L	–	50%	–			
	DSO Adecco Group or regional	15%	15%	–	+1 day	Per budget	-1 day
Strategic	NPS	10%	10%	10%	2017 NPS	+ 5 points	+ 10 points
	Internal promotion rate to Global Leadership roles	10%	10%	10%	2017 Level	+ 4 points	+ 6 points
Functional	As per functions	–	–	15%	Per functional objective		

1 Chief Sales & Innovation Officer, Chief Marketing & Communication Officer, Chief Information Officer, Chief HR Officer.

2 EBITA margin cap is 105%.

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 Award 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. Relative TSR was chosen because it is considered as the most appropriate performance metric to link the long-term remuneration of management to the value creation for the shareholders. For the grant awarded in 2018, the performance period starts on 1 January 2018 and ends on 31 December 2020.

At grant date, the LTI target amounts to 120% of the annual base salary for the CEO (previous year: 100%) and ranges from 50% to 100% for the other EC members (previous year: 60% to 100%). The LTI target amount for the CEO has been increased, in order to gradually rebalance the remuneration mix, with stronger focus on the long-term compensation element.

To determine the number of Performance Share Awards to be granted, the LTI target amount is divided by the three-year average daily closing price of the Adecco Group AG share prior to the grant. This initial number is multiplied by a factor of two to arrive at the number of Performance Share Awards to be granted. The multiplier accounts for the lower probability of vesting that was a consequence of the new LTIP design implemented in 2016, which moved from a mix of Restricted Share Units and Performance Share Awards with multiple performance conditions, to Performance Share Awards only with a single performance condition. Note that the three-year average daily closing price of the share used to determine the initial number of Performance Share Awards cannot deviate by more than 20% from the share price at grant.

The Performance Share Awards are subject to a three-year cliff-vesting based on the relative TSR performance of the Adecco Group compared to a peer group of companies. The peer group includes the 17 companies listed in Illustration 7. The CC periodically reviews the composition of the peer group and may propose the substitution of alternative peer companies due to corporate events such as merger, acquisition, divestiture, delisting or bankruptcy of peer companies.

Starting with the 2018 LTI grant, any Company shares vested under the LTIP are subject to a two-year blocking period.

The mechanism of the LTIP is shown in Illustration 6.

Illustration 6: LTIP mechanism for the grant awarded in 2018

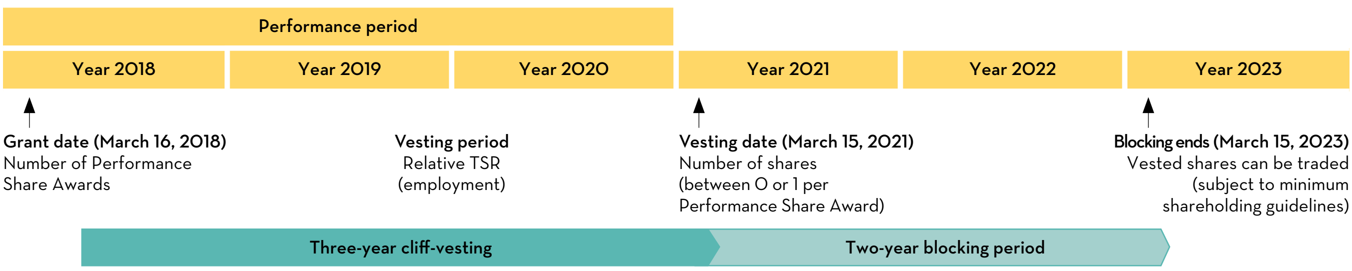
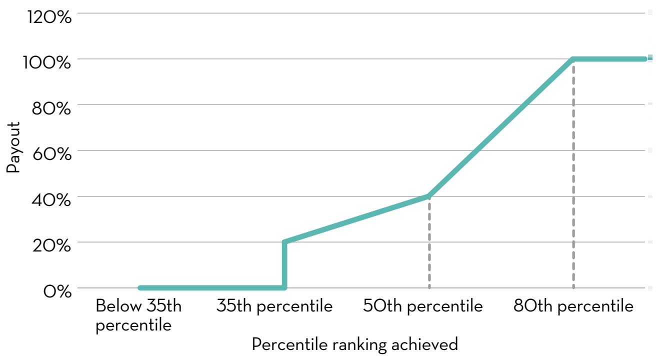


Illustration 7: Peer companies for relative TSR performance under the LTIP

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

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

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



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

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

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

Further, 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 Shareholding guideline

A shareholding guideline was implemented as of business year 2018. The EC members are required to build up and own a minimum of Company shares within five years of their first LTI grant, as set out in the table below:

CEO	40,000 shares
Other EC members	10,000 shares

To calculate whether the minimum holding requirement is met, all vested shares are considered as held, regardless of whether they are blocked or not. Unvested awards are excluded. The CC reviews compliance with the shareholding guideline on an annual basis.

4.2.6 Contractual agreements

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

4.2.7 2019 Outlook

In the reporting year, the CC closely monitored the implementation of the new STIP and decided to further refine the performance measurement. As from 2019, quarterly financial objectives are added to the annual financial objectives for the EC members and the Global Leadership members. The aim is to recognise the cyclical market movements of the business in the reward system by rewarding the delivery of quarterly Sales and EBITA margin budgets and therefore encourage consistent target achievement throughout the year. The quarterly target achievements will be calculated in accordance with the current calculation methodology and will account for a small portion of the annual bonus for financial targets, i.e. 20% to 28% depending on the role. The actual bonus payout for both the annual and quarterly achievements will be calculated and paid once a year upon completion of the annual audit of the year for which the bonus is due. The maximum payout potential remains unchanged at 150% of the STI target amount. In addition to the above, the weighting of the performance metrics has been refined to give more weight to the strategic targets.

The performance metrics and their weight in the 2019 STIP will be explained in more details in the 2019 Remuneration Report.

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 2018 and shareholding on 31 December 2018

In 2018, the Board's total remuneration amounted to CHF 4.57 million (2017: CHF 4.58 million). Of this total, CHF 2.82 million was paid out in cash (2017: CHF 2.84 million), CHF 1.43 million was awarded in restricted shares (2017: 1.44 million) and social contributions amounted to CHF 0.33 million (2017: CHF 0.29 million). This remuneration is in substance unchanged versus the previous year.

At the AGM of 20 April 2017, shareholders approved a Maximum Total Amount of Remuneration of CHF 4.7 million for the Board for the term from the AGM 2017 until the AGM 2018. The remuneration paid to the Board for this term was CHF 4.5 million and is therefore within the approved limits.

At the AGM of 19 April 2018, shareholders approved a Maximum Total Amount of Remuneration of CHF 4.7 million for the Board for the term from the AGM 2018 until the AGM 2019. The remuneration paid to the Board for this term is anticipated to be approximately CHF 4.6 million. The final amount will be disclosed in the Remuneration Report 2019.

Illustration 9: Board remuneration for financial year 2018 and shareholding as of 31 December 2018

in CHF (except shares)

Name	Function[1]	Remuneration period in 2018	Remuneration in cash	Remuneration in shares[2]	Total remuneration[3]	Social contributions[5]	Shareholding as of 31 December 2018[6]
Rolf Dörig	Chair	since Jan.	960,000	500,000	1,460,000	92,392	81,351
Kathleen Taylor	Vice-Chair	since Jan.	300,000	150,000	450,000	29,143	7,296
Jean-Christophe Deslarzes	CC Chair	since Jan.	283,333	141,667	425,000	27,573	7,102
Ariane Gorin	Member	since Jan.	225,000	112,500	337,500[4]	45,047	3,072
Alexander Gut	GNC Chair	since Jan.	300,000	150,000	450,000	29,143	24,112
Didier Lamouche	Member	since Jan.	200,000	100,000	300,000	19,726	7,279
David Prince	AC Chair	since Jan.	325,000	162,500	487,500	67,912	16,005
Regula Wallimann	Member	since Apr.	150,000	75,000	225,000	14,648	1,444
Wanda Rapaczynski	GNC Chair	Jan to Apr	75,000	37,500	112,500	0	n.a.
Subtotal			2,818,333	1,429,167	4,247,500	325,584	
Total						**4,573,084**	**147,661**

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

2 Paid with 25,960 Adecco Group AG shares at an average price of CHF 56.37 per share.

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

4 Including remuneration paid for additional specific tasks as assigned by the Board temporarily.

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

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

Illustration 10: Board remuneration for financial year 2017 and shareholding on 31 December 2017

in CHF (except shares)

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

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

2 Vice-Chair since April 2017.

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

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

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

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

5.2 Executive Committee's remuneration for 2018

In 2018, EC members' total remuneration amounted to CHF 21.6 million (2017: CHF 25 million). This amount consisted of fixed salaries of CHF 8.4 million (2017: CHF 8.5 million), Annual bonus of CHF 4.5 million (2017: CHF 6.9 million), long-term incentives of CHF 4.3 million (2017: CHF 4.9 million), other expenses of CHF 0.7 million (2017: CHF 1 million), and social contributions and post-employment benefits of CHF 2.7 million (2017: CHF 2.9 million).

Overall, the remuneration of the EC decreased by 14% compared to 2017. Looking at the different components, the changes were as follows:

- The fixed remuneration is stable.
- The 2018 annual bonus is 35% lower than in 2017. This reflects the Company's financial results and demonstrates the impact of the new STIP design as the combination of EBITA, revenue and EBITA margin counterbalance a moderate revenue growth. In 2018, the STI payout for the CEO was 71% of target (previous year: 97.2%) and ranged from 39% to 119% for the other EC members (previous year: 80% to 119%), and reached an average 72% for the entire EC including the CEO (previous year: 88%).
- The decrease in the "other" payments is mainly due to changes to the EC composition and one-time relocation costs in previous year.
- The value of the share awards granted under the LTIP was lower in 2018 than in 2017. This is mainly due to a lower grant date value resulting from the two-year post vesting restriction.

At the AGM of 20 April 2017, shareholders approved a Maximum Total Amount of Remuneration of CHF 34.8 million for financial year 2018. The remuneration paid to the EC for this term was CHF 21.6 million and is therefore within the approved limits.

For the financial year 2018, the variable component (annual bonus as paid, LTIP at grant value) represented 41% of the total remuneration of the EC (previous year: 49%) and 105% of the base salary (previous year: 139%). This is aligned with the pay-for-performance philosophy of the Adecco Group and reflects the orientation of the remuneration plans to the shareholders' interests.

Illustration 11: EC remuneration for the year 2018

in CHF	Alain Dehaze, CEO[1]	Total Executive Committee[2]
Gross cash remuneration[3]:		
• Base salary	1,500,000	8,357,934
• Annual bonus[4]	855,200	4,483,336
Remuneration in kind and other[5]	157,803	677,372
Share awards granted in 2018 under the Long-Term Incentive Plan (LTIP)[6]:		
• Relative TSR awards	1,133,262	4,305,571
Social contributions:		
• Old age insurance/pensions and other	288,804	1,676,466
• Additional health/accident insurance	14,816	104,802
• On LTIP awards granted in 2018, potentially vesting in later periods, estimated (based on closing price at grant)	223,749	905,067
Total conferred	**4,173,634**	**20,510,548**
Conferred to former EC members after having ceased to be an EC member[7]		1,116,210
Conferred, grand total[8]		21,626,758

1 Highest conferred individual compensation in 2018.

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 2017 but made during 2018 as this information is considered 2017 remuneration and was disclosed in 2017.

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

6 Value in CHF of Adecco Group AG shares awarded in 2018 under the LTIP 2018 (grant date: 16 March 2018).

Valuation of the share awards granted:

- The grant date values of the relative TSR awards are calculated based on the closing price of the Adecco Group AG share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective relative TSR targets will be met at the end of the performance period. The probability factor of 0.384 for relative TSR awards has been determined using a binomial model. A discount of 10% is applied which takes into consideration that relative TSR awards are not entitled to dividends during the vesting period, and an additional discount of 11% is applied to consider the two-year post vesting restriction.
- The per share value of awards granted in 2018 amounts to CHF 21.71.

7 The employment relationships of certain officers who ceased to be members of the EC in the course of 2018 formally terminate in the course of 2018 in accordance with respective termination agreements. Compensation of former members which is attributable to 2018 is included in this table, whereas compensation to former members attributable to 2019 will be disclosed in the Remuneration Report for 2019.

8 Not included are employer's social contributions of CHF 174,980 on LTIP awards granted in previous periods and vested in 2018.

Illustration 12: EC remuneration for the year 2017

in CHF	Alain Dehaze, CEO[1]	Total Executive Committee[2]
Gross cash remuneration[3]:		
• Base salary	1,500,000	8,546,585
• Annual bonus[4]	1,166,149	6,924,433
Remuneration in kind and other[5]	155,424	983,131
Share awards granted in 2018 under the Long-Term Incentive Plan (LTIP)[6]:		
• Relative TSR awards	1,180,174	4,943,061
Social contributions:		
• Old age insurance/pensions and other[7]	272,944	1,905,364
• Additional health/accident insurance	22,946	133,452
• On LTIP awards granted in 2018, potentially vesting in later periods, estimated (based on closing price at grant)[8]	217,698	845,068
Total conferred	**4,515,335**	**24,281,094**
Conferred to former EC members after having ceased to be an EC member[9]		770,518
Conferred, grand total[10]		25,051,612

1 Highest conferred individual compensation in 2017.

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

3 Including employee's social contributions.

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

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

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

Valuation of the share awards granted:

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

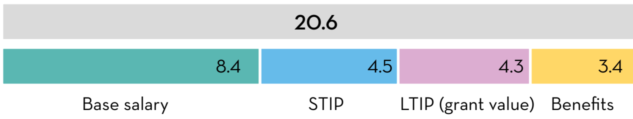
7 Including social contributions on LTIP grant 2015 for one EC member (France) as they became due at grant date.

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

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

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

Illustration 13: EC remuneration mix for the year 2018



5.3 Shareholding of EC members as of 31 December 2018/2017

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

Illustration 14: EC shareholding as of 31 December 2018/2017

(in shares)

Name	Shareholding as of 31 December 2018[1]	Shareholding as of 31 December 2017[1]
Alain Dehaze	43,169	34,561
Hans Ploos van Amstel	5,000	5,000
Christophe Catoir	8,101	8,101
John L. Marshall III	7,650	6,791
Mark De Smedt	10,000	6,221
Sergio Picarelli	19,629	13,050
Enrique Sanchez	14,500	12,887
Federico Vione	14,084	11,058
Stephan Howeg	8,181	7,742
Ian Lee[2]	–	–
Robert James[2]	856	–
Franz-Josef Schürmann[3]	–	100
Shanthi Flynn[3]	–	5,000
Christophe Duchatellier[4]	–	14,645
Total	**131,170**	**125,156**

1 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each as of 31 December 2018 and CHF 0.10 each as of 31 December 2017. 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 Appointed as EC member as of January 2018.

3 Ceased to be a member of the EC in 2018.

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

5.4 Share awards held by and granted to EC members as per 31 December 2018

This section provides information on the Performance Share Awards granted to EC members in 2018 and vesting of Performance Share Awards granted prior to 2018 and vested in 2018.

Illustration 15: Awards granted in 2018

Share awards held as of 31 December 2018 granted on 16 March 2018 under the LTIP:

31 December 2018	Performance Share Awards
Alain Dehaze	52,200
Total EC	198,322

Illustration 16: Vesting level for Performance Share Awards granted

Grant year	Vesting year	Overall vesting %[1]
2013	2016	33%
2014	2017	58%
2015	2018	58%
2016	2019	17.5%
2017	2020	pending[2]
2018	2021	pending[2]

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

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

For the 2016 LTIP award vesting in 2019 (LTI 2016–2018), considering the TSR performance against the peer group, the vesting level was 17.5%. Therefore, from the 138,832 units granted in 2016 to the current EC members (including the CEO), 24,299 have vested with an estimated vesting value of CHF 1.1 million based on the share price at year end 2018.

5.5 Additional fees and remuneration of Board and EC members

Apart from the remuneration disclosed in sections 5.1 and 5.2, no member of the Board and EC has received any additional remuneration in 2018.

5.6 Loans granted to Board and EC members

In 2018, 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 2018.

5.7 Remuneration of former members of the Board and EC

A total of CHF 335,610 was paid in 2018 to a former EC member in relation to his work before financial year 2018, in line with his contractual entitlements which included a twelve-month notice period. No such payments were made to former Board members.

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

In 2018, part of the remuneration of the Board members was paid in Adecco Group AG shares (refer to Illustration 9: "Board remuneration for financial year 2018 and shareholding as of 31 December 2018"), and under the LTIP, shares were allocated to the EC members (refer to Illustration 12: "EC remuneration for the year 2018").

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

5.9 Remuneration or loans to closely linked parties

In 2018, 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 2018.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT TO THE GENERAL MEETING OF ADECCO GROUP AG, ZÜRICH

We have audited the accompanying Remuneration Report of Adecco Group AG for the year ended 31 December 2018. 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 99 to 103 of the Remuneration Report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the Remuneration Report for the year ended 31 December 2018 of Adecco Group AG complies with Swiss law and articles 14-16 of the Ordinance.

Ernst & Young Ltd

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

Zürich, Switzerland
13 March 2019

THE ADECCO GROUP

Selected financial information

in millions, except share and per share information

For the fiscal years (in EUR)	2018	2017	2016	2015	2014
Statements of operations					
Revenues	**23,867**	23,660	22,708	22,010	20,000
Amortisation of intangible assets	**(52)**	(32)	(34)	(41)	(37)
Impairment of goodwill	**(270)**			(740)	
Impairment of intangible assets		(129)			
Operating income[1]	**665**	990	1,064	305	892
Net income attributable to Adecco Group shareholders	**458**	788	723	8	638

As of (in EUR)	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Balance sheets					
Cash and cash equivalents and short-term investments	**652**	962	1,128	1,147	681
Trade accounts receivable, net	**4,432**	4,440	4,268	3,972	3,676
Goodwill	**2,994**	2,895	3,051	3,018	3,583
Total assets	**9,718**	9,890	10,099	9,596	9,346
Short-term debt and current maturities of long-term debt	**267**	394	345	354	72
Accounts payable and accrued expenses	**4,084**	4,066	4,031	3,777	3,601
Long-term debt, less current maturities	**1,509**	1,562	1,670	1,832	1,580
Total liabilities	**6,129**	6,308	6,377	6,250	5,507
Total shareholders' equity	**3,589**	3,582	3,722	3,346	3,839

For the fiscal years (in EUR)	2018	2017	2016	2015	2014
Cash flows from operations					
Cash flows from operating activities[2]	**727**	737	694	797	771
Cash used in investing activities[2]	**(344)**	(113)	(132)	(246)	(93)
Cash used in financing activities	**(682)**	(695)	(589)	(114)	(987)
Other indicators					
Capital expenditures	**158**	100	76	97	80

As of	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Other indicators					
Net debt (in EUR)[3]	**1,124**	994	887	1,039	971
Additional statistics					
Number of FTE employees at year end (approximate)	**34,000**	34,000	33,000	32,000	31,000

1 Due to adoption of ASU 2017-07 – Presentation of net periodic pension and postretirement benefit cost in 2018, the figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". For historical restatements the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note for the prior comparative periods.

2 Due to the adoption of ASU 2016-18 – Statement of Cash Flows (Topic 230): Restricted cash in 2018, the figures were restated for changes during the period related to restricted cash.

3 Net debt is a non-US GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments. The calculation of net debt based upon financial measures in accordance with US GAAP is presented on page 60.

Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	31.12.2018	31.12.2017
Assets			
Current assets:			
– Cash and cash equivalents		652	958
– Short-term investments			4
– Trade accounts receivable, net	4	4,432	4,440
– Other current assets		231	187
Total current assets		**5,315**	**5,589**
Property, equipment, and leasehold improvements, net	5	282	198
Equity method investments	7	76	173
Other assets		625	668
Intangible assets, net	3, 6	426	367
Goodwill	3, 6	2,994	2,895
Total assets		**9,718**	**9,890**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
– Accounts payable and accrued expenses:			
– Accounts payable		793	766
– Accrued salaries and wages		689	716
– Accrued payroll taxes and employee benefits		1,341	1,355
– Accrued sales and value-added taxes		451	486
– Accrued income taxes		48	37
– Other accrued expenses		762	706
– Total accounts payable and accrued expenses		4,084	4,066
– Short-term debt and current maturities of long-term debt	8	267	394
Total current liabilities		**4,351**	**4,460**
Long-term debt, less current maturities	8	1,509	1,562
Other liabilities		269	286
Total liabilities		**6,129**	**6,308**
Shareholders' equity			
Adecco Group shareholders' equity:			
– Common shares	9	10	11
– Additional paid-in capital	9	578	579
– Treasury shares, at cost	9	(141)	(338)
– Retained earnings		3,407	3,613
– Accumulated other comprehensive income/(loss), net	9	(273)	(291)
Total Adecco Group shareholders' equity		**3,581**	**3,574**
Noncontrolling interests		8	8
Total shareholders' equity		**3,589**	**3,582**
Total liabilities and shareholders' equity		**9,718**	**9,890**

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	2018	2017[1]	2016[1]
Revenues	17	23,867	23,660	22,708
Direct costs of services		(19,434)	(19,314)	(18,432)
Gross profit		**4,433**	**4,346**	**4,276**
Selling, general, and administrative expenses		(3,446)	(3,195)	(3,178)
Amortisation of intangible assets	6	(52)	(32)	(34)
Impairment of goodwill	6	(270)		
Impairment of intangible assets	6		(129)	
Operating income	17	**665**	**990**	**1,064**
Interest expense		(38)	(52)	(59)
Other income/(expenses), net	14	100	1	30
Income before income taxes		**727**	**939**	**1,035**
Provision for income taxes	15	(267)	(149)	(310)
Net income		**460**	**790**	**725**
Net income attributable to noncontrolling interests		(2)	(2)	(2)
Net income attributable to Adecco Group shareholders		**458**	**788**	**723**
Basic earnings per share	16	**2.77**	**4.67**	**4.24**
Basic weighted-average shares	16	165,394,453	168,745,176	170,292,621
Diluted earnings per share	16	**2.77**	**4.66**	**4.24**
Diluted weighted-average shares	16	165,681,920	169,100,523	170,525,841

1 Due to adoption of ASU 2017-07 - Presentation of net periodic pension and postretirement benefit cost in 2018, the figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". For historical restatements the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note for the prior comparative periods.

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	2018	2017	2016
Net income		460	790	725
Other comprehensive income/(loss), net of tax:				
– Currency translation adjustment of long-term intercompany loans (net of tax of, 2018: less than EUR 1, 2017: EUR 1, 2016: EUR 1)		(9)	(15)	(11)
– Currency translation adjustment of net investment hedges (net of tax of, 2018: less than EUR 1, 2017: EUR (2))		(4)	18	
– Currency translation adjustment related to the nominal share capital reduction			(44)	
– Currency translation adjustment related to share cancellation		(8)		
– Currency translation adjustment related to divestitures (net of tax of, 2016: less than EUR 1)				4
– Currency translation adjustment excluding long-term intercompany loans, divestitures, nominal share capital reduction and cancellation and net investment hedges (net of tax of, 2018: less than EUR 1, 2017: EUR (1), 2016: less than EUR 1)		60	(272)	24
– Change in pension prior years' service costs (net of tax of, 2017: less than EUR 1, 2016: less than EUR 1)	11		(1)	2
– Change in net actuarial gain/(loss) on pensions (net of tax of, 2018: EUR 5, 2017: EUR (4), 2016: EUR 2)	11	(20)	14	4
– Change in fair value of securities (net of tax of, 2018: less than EUR 1, 2017: less than EUR 1, 2016: less than EUR 1)			(1)	1
– Change in fair value of cash flow hedges (net of tax of, 2018: less than EUR 1, 2017: less than EUR 1, 2016: less than EUR 1)	12	(1)		(1)
Total other comprehensive income		18	(301)	23
Total comprehensive income		**478**	**489**	**748**
Less comprehensive income attributable to noncontrolling interests		(2)	(2)	(2)
Comprehensive income attributable to Adecco Group shareholders		**476**	**487**	**746**

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)	**2018**	2017[1]	2016[1]
Cash flows from operating activities			
Net income	460	790	725
Adjustments to reconcile net income to cash flows from operating activities:			
– Depreciation and amortisation	138	109	119
– Impairment of goodwill	270		
– Impairment of intangible assets		129	
– Gain on divestiture of Beeline	(113)		(100)
– Loss on buyback of long-term debt			26
– Bad debt expense	20	20	27
– Stock-based compensation	12	14	12
– Deferred tax provision/(benefit)	(25)	(168)	38
– Other, net	49	13	24
Changes in operating assets and liabilities, net of acquisitions and divestitures:			
– Trade accounts receivable	19	(380)	(319)
– Accounts payable and accrued expenses	(112)	222	205
– Other assets and liabilities	9	(12)	(63)
Cash flows from operating activities	**727**	**737**	**694**
Cash flows from investing activities			
Capital expenditures	(158)	(100)	(76)
Proceeds from sale of property and equipment		1	2
Acquisition of Penna, net of cash and restricted cash acquired			(122)
Acquisition of D4, net of cash and restricted cash acquired			(25)
Acquisition of BioBridges, net of cash and restricted cash acquired		(37)	
Acquisition of Mullin, net of cash and restricted cash acquired		(22)	
Acquisition of Vettery, net of cash and restricted cash acquired	(77)		
Acquisition of General Assembly, net of cash and restricted cash acquired	(316)		
Proceeds from divestiture of Beeline, net of cash and restricted cash divested	226	21	53
Cash settlements on derivative instruments	(4)	39	63
Purchase of short-term investments	(1)	(20)	(18)
Proceeds from sale of short-term investments	4	19	23
Other acquisition and investing activities, net of cash and restricted cash acquired	(18)	(14)	(32)
Cash used in investing activities	**(344)**	**(113)**	**(132)**

For the fiscal years ended 31 December (in EUR)	2018	2017[1]	2016[1]
Cash flows from financing activities			
Borrowings of short-term debt under the commercial paper programme	370	104	394
Repayment of short-term debt under the commercial paper programme	(370)	(104)	(404)
Other net increase/(decrease) in short-term debt		30	(3)
Borrowings of long-term debt, net of issuance costs	135	255	494
Repayment of long-term debt	(350)	(299)	(316)
Buyback of long-term debt			(362)
Dividends paid to shareholders	(350)	(374)	(372)
Purchase of treasury shares	(115)	(304)	(20)
Other financing activities, net	(2)	(3)	
Cash used in financing activities	**(682)**	**(695)**	**(589)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**14**	**(92)**	**2**
Net increase/(decrease) in cash, cash equivalents and restricted cash	**(285)**	**(163)**	**(25)**
Cash, cash equivalents and restricted cash:			
– Beginning of year	1,003	1,166	1,191
– End of year	718	1,003	1,166

1 Due to the adoption of ASU 2016-18 – Statement of Cash Flows (Topic 230): Restricted cash in 2018, the figures were restated for changes during the period related to restricted cash.

The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in the Company's consolidated balance sheets:

For the fiscal years ended 31 December (in EUR)	2018	2017	2016
Reconciliation of cash, cash equivalents and restricted cash at beginning of year:			
Current assets:			
– Cash and cash equivalents	958	1,123	1,137
– Restricted cash included in Other current assets	8	6	18
Non-current assets:			
– Restricted cash included in Other assets	37	37	36
Cash, cash equivalents and restricted cash at beginning of year:	1,003	1,166	1,191
Reconciliation of cash, cash equivalents and restricted cash at end of year:			
Current assets:			
– Cash and cash equivalents	652	958	1,123
– Restricted cash included in Other current assets	10	8	6
Non-current assets:			
– Restricted cash included in Other assets	56	37	37
Cash, cash equivalents and restricted cash at end of year	718	1,003	1,166
Supplemental disclosures of cash paid			
Cash paid for interest	44	44	64
Cash paid for income taxes	290	258	259

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 2016	**108**	**721**	**(258)**	**2,782**	**(13)**	**6**	**3,346**
Comprehensive income:							
Net income				723		2	725
Other comprehensive income					23		23
Total comprehensive income							**748**
Stock-based compensation		12					12
Vesting of share awards		(13)	12				(1)
Share cancellation	(2)		218	(214)			2
Treasury shares purchased on second trading line			(11)				(11)
Other treasury share transactions			(1)				(1)
Cash dividends, CHF 2.40 per share		(139)		(233)			(372)
Other						(1)	(1)
31 December 2016	**106**	**581**	**(40)**	**3,058**	**10**	**7**	**3,722**
Comprehensive income:							
Net income				788		2	790
Other comprehensive income					(301)		(301)
Total comprehensive income							**489**
Stock-based compensation		14					14
Vesting of share awards		(16)	16				
Treasury shares purchased on second trading line			(275)				(275)
Other treasury share transactions			(39)				(39)
Cash dividends, CHF 1.50 per share				(235)			(235)
Nominal share capital reduction, CHF 0.90 per share	(95)			2			(93)
Other						(1)	(1)
31 December 2017	**11**	**579**	**(338)**	**3,613**	**(291)**	**8**	**3,582**
Adoption of ASU 2016-16[1]				**(19)**			**(19)**
1 January 2018 (upon adoption of ASU 2016-16)	**11**	**579**	**(338)**	**3,594**	**(291)**	**8**	**3,563**
Comprehensive income:							
Net income				458		2	460
Other comprehensive income					18		18
Total comprehensive income							**478**
Stock-based compensation		12					12
Vesting of share awards		(14)	15				1
Treasury shares purchased on second trading line			(113)				(113)
Other treasury share transactions			(5)				(5)
Cash dividends, CHF 2.50 per share				(353)			(353)
Share cancellation	(1)		300	(292)			7
Other		1				(2)	(1)
31 December 2018	**10**	**578**	**(141)**	**3,407**	**(273)**	**8**	**3,589**

1 The Company adopted ASU 2016-16 "Income Taxes (Topic740): Intra-Entity Transfers of Assets Other Than Inventory" on 1 January 2018. Upon adoption, the 31 December 2017 "Other assets" were reduced by EUR 19 directly against "Retained earnings" which was also reduced by EUR 19.

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

Notes to consolidated financial statements

in millions, except share and per share information

Note 1 – The business and summary of significant accounting policies

Business

The 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, career transition, and other services to businesses and organisations throughout Europe, North America, Asia Pacific, South America, and North Africa. At the end of 2018, the Company's worldwide network consists of approximately 5,300 branches and more than 34,000 full-time equivalent (FTE) employees in 60 countries and territories.

The Company is organised in a geographical structure plus the global 'Career Transition & Talent Development' (CTTD) business, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; 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) and Recruitment Process Outsourcing (RPO). BPO included Vendor Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger of Beeline with IQNavigator. The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

Basis of presentation

The consolidated financial statements are prepared in accordance with US generally accepted accounting principles (US GAAP) and the provisions of Swiss law.

Reporting currency

The reporting currency of the Company is the Euro, which reflects the significance of the Company's Euro-denominated operations. Adecco Group AG's share capital is denominated in Swiss Francs and the Company declares and pays dividends in Swiss Francs.

Foreign currency translation

The Company's operations are conducted in various countries around the world and the financial statements of foreign subsidiaries are reported in the applicable foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the Euro, the reporting currency, for inclusion in the Company's consolidated financial statements. Income, expenses, and cash flows are translated at average exchange rates prevailing during the fiscal year or at transaction exchange rates, and assets and liabilities are translated at fiscal year-end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity. Exchange gains and losses on intercompany balances that are considered permanently invested are also included in equity.

Hyperinflationary economies

Local subsidiaries in hyperinflationary economies are required to use the Euro as their functional currency and remeasure the monetary assets and liabilities not denominated in Euro using the applicable rate in accordance with ASC 830, "Foreign Currency Matters" (ASC 830). All exchange gains and losses resulting from remeasurement are recognised in net income.

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 2018, 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, career transition, and other services. Refer to Note 2 for further details.

Marketing expenses

Marketing expenses totalled EUR 101, EUR 85 and EUR 85 in 2018, 2017, and 2016, respectively. These costs are included in selling, general, and administrative expenses (SG&A) and are generally expensed as incurred.

Cash, cash equivalents, restricted cash 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.

Restricted cash balances generally consist of deposits made in connection with lease/rent agreements and other refundable deposits, legal claims, cash received from customers but owed to subcontractors and funds set aside in connection with outstanding options and warrants arising from acquisitions.

Trade accounts receivable

Trade accounts receivable are recorded at net realisable value after deducting an allowance for doubtful accounts. The Company makes judgements on an entity-by-entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. Where available and when cost effective, the Company utilises credit insurance. Accounts receivable balances are written-off when the Company determines that it is unlikely that future remittances will be received, or as permitted by local law.

Property, equipment, and leasehold improvements

Property and equipment are carried at historical cost and are depreciated on a straight-line basis over their estimated useful lives (generally three to ten years for furniture, fixtures, and office equipment; three to five years for computer equipment and software; and twenty to forty years for buildings). Leasehold improvements are stated at cost and are depreciated over the shorter of the useful life of the improvement or the remaining lease term, which includes the expected lease renewal. Expenditures for repairs and maintenance are charged to expense as incurred.

Capitalised software costs

The Company capitalises purchased software as well as internally developed software. Internal and external costs incurred to develop internal use software during the application development stage are capitalised. Application development stage costs generally include software configuration, coding, installation, and testing. Costs incurred for maintenance, testing minor upgrades, and minor enhancements are expensed as incurred. Capitalised software costs are included in property, equipment, and leasehold improvements, net. Capitalised costs are depreciated on a straight-line basis over the estimated useful life commencing once the software is ready for its intended use, generally three to five years.

Goodwill and indefinite-lived intangible assets

Goodwill represents the excess of the purchase price in a business combination over the value assigned to the net tangible and identifiable intangible assets of businesses acquired less liabilities assumed. We complete our final assessments of the fair value of the acquired assets and assumed liabilities and our final evaluations of uncertain tax positions and contingencies within one year of the acquisition date. 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 quantitative 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. 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, an impairment charge is recorded 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 and acquired technology, 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.

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.

Notes to consolidated financial statements continued

in millions, except share and per share information

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.

Investments in private equity, real estate and collective funds held within our pension plans, are generally valued using the net asset value (NAV) per share as a practical expedient for fair value provided certain criteria are met. The NAVs are determined based on the fair values of the underlying investments in the funds. These assets are not classified in the fair value hierarchy but are separately disclosed.

CICE (tax credit for competitiveness and employment)

At the end of 2012, the French government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. This provides employers with a tax credit on employee salaries up to 2.5 times the minimum wage. For 2013, the rate of the tax credit was 4%; for 2014 to 2016, this rate was raised to 6%; and for 2017 this rate was raised to 7%. As announced in December 2017 for 2018 the tax credit decreased back to 6% and from 2019 it will be replaced by social charge reductions. The CICE earned each year is creditable against current income tax payable in France with any remaining amount paid after three years. Given the Company's current tax situation in France, the Company does not expect to receive the CICE receivables recorded until three years after it is earned.

In May 2018, the Company sold a portion of the CICE receivables of EUR 226 for cash proceeds of EUR 224 and in June 2017, the Company sold a portion of the CICE receivables of EUR 180 for cash proceeds of EUR 179. Upon sale, the Company derecognised EUR 226 in May 2018 and EUR 180 in June 2017 of the CICE receivables as these transactions qualified for sale treatment in accordance with ASC 860, "Transfers and Servicing" (ASC 860) and the Company does not have any continuing involvement with the CICE receivables sold. The discount on the CICE receivables sold is recorded in interest expense in the consolidated statements of operations.

New accounting guidance

In 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. The Company adopted the new standard as of 1 January 2019 retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment using the package of practical expedients upon adoption. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease expenses relating to those leases recognised in the balance sheet immediately before the date of initial application. While the Company is still finalising adoption procedures, we estimate the primary impact to the statement of financial position upon adoption will be the recognition, on a discounted basis, of the minimum rental payments under noncancelable operating leases resulting in the recording of right-of-use assets and lease obligations for approximately EUR 480.

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 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 adopted this amendment as of 1 January 2018 and applied the provisions of this standard to its goodwill impairment test during 2018.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non-public Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception". The amendments in Part I simplify the accounting for certain financial instruments with down round features. Part II replaces today's indefinite deferral of the guidance in Accounting Standards Codification (ASC) 480-102 for certain mandatorily redeemable financial instruments of certain non-public entities and certain mandatorily redeemable noncontrolling interests with a scope exception. The amendments in Part II of this ASU do not require any transition guidance because those amendments do not have an accounting effect. The amendments in this ASU (for Part I) are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2018. Early adoption is permitted, including adoption in any interim period. The Company adopted this amendment as of 1 January 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815)". The amendments in this ASU provide changes to enable entities to better portray the economics of their risk management activities in the financial statements and enhance the transparency and understandability of hedge results. The amendments also simplify the application of hedge accounting in certain situations. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2018. Early adoption is permitted. The amended presentation and disclosure guidance is required prospectively. The Company adopted this amendment as of 1 January 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments in this ASU allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the United States Tax Cuts and Jobs Act of 2017. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after 15 December 2018. Early adoption is permitted. The Company adopted this amendment as of 1 January 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles – Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract". The amendments in this ASU addresses different practice around the accounting for costs incurred to implement a cloud computing hosting arrangement that is a service contract by allowing to capitalise or expense such costs, depending on their nature and the stage of the implementation project during which they are incurred. The amendments in this ASU are effective for annual periods, and the interim periods within those annual periods, beginning after 15 December 2019. Early adoption is permitted, including adoption in any interim period. The Company adopted retrospectively this amendment as of 1 January 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Presentation and reclassifications

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

Other disclosures required by Swiss law

The detailed disclosures regarding the executive remuneration that are required by Swiss law are included in the Remuneration Report.

in millions, except share and per share information

Note 2 – Revenues

Adoption of ASC Topic 606 - "Revenue from Contracts with Customers"

The Company adopted ASC Topic 606 as of 1 January 2018 using the modified retrospective approach. The Company's results for reporting periods beginning 1 January 2018 or later are presented under this guidance, while prior periods are not retrospectively adjusted and are presented in accordance with the Company's previous accounting policy under ASC Topic 605.

The cumulative effect of adopting ASC Topic 606 was not recorded upon adoption as it was not significant and did not impact the Company's retained earnings as of 1 January 2018 or the results of the Company's operations for the twelve months ended 31 December 2018.

Recognition of revenues

Revenues are recognised as the Company satisfies its obligations under a contract with a customer, which is when control of the promised services is transferred to the customer and in an amount that reflects the expected consideration the Company is entitled to in exchange for those services. Revenues are recognised and reported net of any sales taxes.

The following table presents the Company's revenues disaggregated by type of service provided:

(in EUR)	2018	2017[1]	2016[1]
Temporary staffing	20,729	20,714	19,914
Permanent placement	567	494	456
Career transition	335	369	376
Other	2,236	2,083	1,962
Total revenues	**23,867**	**23,660**	**22,708**

1 Prior period amounts have not been adjusted under the modified retrospective method.

In Note 17, revenues are additionally disaggregated by segment, country and business lines.

Temporary staffing

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 contract durations can range from less than one month to multiple years but generally may be terminated earlier if appropriate notice is provided. Temporary staffing service revenues are recognised over time upon rendering the services and in line with the Company's right to invoice the customer. The Company provides temporary services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

Permanent placement

Revenues related to permanent placement services are generally recognised at the point in time the candidate begins full-time employment, or once the fee is earned and the Company has no further obligations to the customer. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations and presented in Other accrued expenses and recorded as a reduction of revenue. The Company provides permanent placement services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; India; and Career Transition & Talent Development.

Career transition

Revenues related to career transition are negotiated with the client on a project basis and are generally recognised over time upon rendering the services, such as consulting services where revenue is billed and recognised on an hourly basis or workshops and coaching sessions with stated fees per service. The Company also offers multi-month career transition packages or similar services in which participants are offered a range of services for a fixed price. Fees invoiced prior to providing services are deferred and recorded in Other accrued expenses until the services are rendered. These revenues are recognised based on historical usage of offered services by the participants over the duration of service period to best depict the transfer of services to the customer. Additionally, certain contracts may contain multiple performance obligations, in which case the Company allocates revenue to each performance obligation based on the standalone selling prices, generally determined based on the prices it would charge to other customers in similar circumstances. The Company provides career transition services in Italy, Benelux & Nordics, and Career Transition & Talent Development operating segments.

Other services

Revenues related to other services include outsourcing, Managed Service Programmes (MSP), and Recruitment Process Outsourcing (RPO), and talent development. Other services are generally recognised over time as the services are performed in the amount to which the Company has a right to invoice. Fees invoiced prior to providing services are deferred and recorded in Other accrued expenses until the services are rendered. The Company provides other services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

Principal vs. agent

The Company determines whether it is a principal or an agent by evaluating if it obtains control of the specified services within an arrangement. For contracts with customers in which the Company is the principal, the Company reports gross revenues and gross direct costs. Under arrangements where the Company is an agent, as is generally the case in most MSP contracts, revenues are reported on a net basis.

Discounts, rebates, and other transaction price adjustments are estimated at contract inception and recognised as reductions to sales over the duration of the contract. The Company uses historical experience to estimate these types of variable consideration and records a liability as the related revenues are recognised. The Company does not expect significant changes to its estimates of variable consideration to occur.

Payment terms in our contracts vary by the type and location of our customer and the services offered. Our client contracts are generally short-term in nature with a term of one year or less. 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.

Upon rendering services to its customers, the Company generally recognises its unconditional rights to consideration as receivables presented as Trade accounts receivable, net. The period between when services are performed, the customer is billed, and when payment is due is not significant.

Practical expedients and exemptions

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed. Revenues from contracts which do not meet one of these two exemptions are not significant. Revenues from long-term temporary staffing and outsourcing contracts will generally be recognised over the next one to three years based on the agreed-upon rates and levels of services performed.

Additionally, the Company recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the contract asset would be one year or less.

Note 3 – Acquisitions

The Company made acquisitions in 2018, 2017 and 2016. The Company does not consider any of its 2018, 2017 and 2016 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 2018 and 2017 acquisitions:

in EUR	2018	2017
Impact of acquisitions		
Net tangible assets acquired	21	4
Identified intangible assets	98	30
Goodwill	307	37
Deferred tax assets, net	7	
Total consideration	433	71

In February 2018, the Company acquired all outstanding shares of Vettery, Inc. (Vettery) which operates as a digital professional permanent recruitment marketplace for EUR 77, net of EUR 1 cash acquired. Goodwill of EUR 56 and intangible assets of EUR 22 were recorded in connection with Vettery. Vettery was consolidated by the Company as of 20 February 2018, and the results of Vettery operations have been included in the consolidated financial statements since 20 February 2018. The goodwill arising from the acquisition consists largely of acquired expertise and increased penetration in the US digital professional permanent recruitment market.

In May 2018, the Company acquired all outstanding shares of General Assembly Space, Inc. (General Assembly) for EUR 316, net of EUR 5 cash and EUR 7 restricted cash acquired. Goodwill of EUR 235 and intangible assets of EUR 66 were recorded in connection with General Assembly. General Assembly was consolidated by the Company as of 31 May 2018, and the results of General Assembly operations have been included in the consolidated financial statements since 31 May 2018. The goodwill arising from the acquisition consists largely of acquired expertise and increased penetration in the career transformation markets.

In September 2017, the Company acquired all membership interests of BioBridges, LLC (BioBridges) which provides temporary staffing in the life sciences industry, for EUR 41, net of EUR 1 cash acquired. Goodwill of EUR 19 and intangible assets of EUR 20 were recorded in connection with BioBridges. The purchase price was funded with internal resources. BioBridges was consolidated by the Company as of 8 September 2017, and the results of BioBridges operations have been included in the consolidated financial statements since 8 September 2017. The goodwill of EUR 19 arising from the acquisition consists largely of acquired expertise and increased penetration in the US temporary staffing life science markets.

In October 2017, the Company acquired all outstanding shares of Mullin & Associates, Ltd., (Mullin & Associates), a consulting firm providing individual career transition and redeployment services in the USA, for EUR 22, net of cash acquired. As a result of this acquisition, EUR 14 and EUR 9 of goodwill and identifiable intangible assets, respectively, were recorded. The purchase price was funded with internal resources. Mullin & Associates was consolidated by the Company as of 1 October 2017, and the results of Mullin & Associates' operations have been included in the consolidated financial statements since October 2017. The goodwill of EUR 14 arising from the acquisition consists largely of acquired expertise and increased penetration in the US career transition and redeployment services markets.

Notes to consolidated financial statements continued

in millions, except share and per share information

Total acquisition related costs expensed in 2018, 2017 and 2016 were not significant. Acquisition related costs are included in SG&A within the consolidated statements of operations.

Note 4 – Trade accounts receivable

in EUR	31.12.2018	31.12.2017
Trade accounts receivable	4,498	4,503
Allowance for doubtful accounts	(66)	(63)
Trade accounts receivable, net	**4,432**	**4,440**

Note 5 – Property, equipment, and leasehold improvements

	31.12.2018		31.12.2017	
in EUR	Gross	Accumulated depreciation	Gross	Accumulated depreciation
Land and buildings	4	(2)	3	(2)
Furniture, fixtures, and office equipment	118	(86)	144	(114)
Computer equipment	169	(129)	189	(157)
Capitalised software	601	(457)	521	(438)
Leasehold improvements	222	(158)	225	(173)
Total property, equipment, and leasehold improvements	**1,114**	**(832)**	**1,082**	**(884)**

Depreciation expense was EUR 86, EUR 77, and EUR 85 for 2018, 2017, and 2016, respectively.

In addition, a write-down of EUR 16 due to changes in the expected use of certain capitalised software was recorded in 2018 across multiple segments and included in SG&A within the consolidated statements of operations.

The Company recorded EUR 35, EUR 36, and EUR 40 of depreciation expense in connection with capitalised software in 2018, 2017, and 2016, respectively. The estimated aggregate depreciation expense related to computer software is EUR 50 in 2019, EUR 42 in 2020, EUR 29 in 2021, EUR 11 in 2022, EUR 8 in 2023 and EUR 4 in 2024.

Note 6 – Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended 31 December 2018 and 31 December 2017 are as follows:

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Japan	Italy	Benelux & Nordics	Career Transition & Talent Development	Other	Total
Changes in goodwill										
1 January 2017	**237**	**422**	**999**	**631**	**83**	**-**	**251**	**359**	**69**	**3,051**
Additions			19				3	15		37
Allocation to disposals/deconsolidations										
Currency translation adjustment		(44)	(108)	(1)	(7)		(7)	(24)	(2)	(193)
31 December 2017	**237**	**378**	**910**	**630**	**76**	**-**	**247**	**350**	**67**	**2,895**
Additions			58		8		6	235		307
Allocation to disposals/deconsolidations	(2)						(5)			(7)
Impairment charge				(270)						(270)
Currency translation adjustment		11	36	1	7		(2)	16		69
31 December 2018	**235**	**389**	**1,004**	**361**	**91**	**-**	**246**	**601**	**67**	**2,994**

As of 31 December 2018 and 31 December 2017, the gross goodwill amounted to EUR 4,181 and EUR 3,816, respectively.

As of 31 December 2018, accumulated impairment charges amounted to EUR 1,187 of which EUR 1,043 in Germany, Austria, Switzerland, EUR 81 in Australia & New Zealand, EUR 16 in N. America, UK & I. General Staffing, EUR 38 in N. America, UK & I. Professional Staffing, and EUR 9 in India, impacted by fluctuations in exchange rates.

As of 31 December 2017, accumulated impairment charges amounted to EUR 921 of which EUR 773 in Germany, Austria, Switzerland, EUR 85 in Australia & New Zealand, EUR 16 in N. America, UK & I. General Staffing, EUR 38 in N. America, UK & I. Professional Staffing, and EUR 9 in India.

The additions of 2018 amounted to EUR 307 and relate to the acquisitions made during 2018 as reported in Note 3.

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 2018, 2017 and 2016. The annual impairment test of goodwill in the fourth quarter of 2018 resulted in an impairment charge in Germany, Austria, Switzerland of EUR 270 based on management's revised five-year projections for sales and earnings on recent and proposed regulatory changes in Germany and the weaker macroeconomic outlook in certain markets of the Company's business in the fourth quarter of 2018 compared to the first, second and third quarter of 2018 and the end of 2017 and 2016.

The goodwill impairment test which comprised the calculation of the fair value of all of the Company's reporting units through discounted cash flow valuations and/or multiples analysis led to the conclusion that there was no indication of impairment of goodwill except for the reporting unit Germany, Austria, Switzerland where the carrying amount of the reporting unit exceeded the unit's fair value.

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 maximum 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 2018, 2017, and 2016 ranged from 6.6% to 8.2%.

The carrying amounts of other intangible assets as of 31 December 2018 and 31 December 2017 are as follows:

	31.12.2018		31.12.2017	
in EUR	Gross	Accumulated amortisation	Gross	Accumulated amortisation
Intangible assets				
Marketing related (trade names)	312	(24)	291	(18)
Customer base	386	(314)	349	(275)
Contract	57	(16)	30	(10)
Acquired technology	28	(6)		
Other	4	(1)		
Total intangible assets	**787**	**(361)**	**670**	**(303)**

Amortisation expense was EUR 52, EUR 32, and EUR 34 for 2018, 2017, and 2016, respectively.

The carrying amount of indefinite-lived intangible assets was EUR 267 and EUR 262 as of 31 December 2018 and 31 December 2017, respectively. Indefinite-lived intangible assets consist of trade names.

In the third quarter of 2017, the Company performed an interim impairment test of indefinite-lived intangible assets based on the Company's strategy to streamline its brand portfolio. As a result of this strategy an impairment of intangible assets (trade names) of EUR 129 was recognised.

The Company performed its annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2018, 2017, and 2016 and determined that there was no indication of impairment.

The estimated aggregate amortisation expense related to definite-lived intangible assets is EUR 51 in 2019, EUR 44 in 2020, EUR 30 in 2021, EUR 16 in 2022, EUR 4 in 2023 and EUR 14 thereafter. The weighted-average amortisation period for customer base intangible assets is five to ten years.

in millions, except share and per share information

Note 7 – Equity method investments

Investments in equity affiliates as of 31 December 2018 and 31 December 2017 primarily include interests in FESCO Adecco Human Resource Services Shanghai Co., Ltd., while as of 31 December 2017 the Company also held 43% interest in IQN/Beeline Holdings, LLC, a leading provider of Vendor Management Systems (VMS). As part of the Company's strategy to bring more focus and discipline to portfolio management, the ownership interest in IQN/Beeline Holdings, LLC was divested in August 2018 resulting in gain on sale of EUR 113.

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 2018 and 31 December 2017 are as follows:

in EUR	2018	2017
1 January	**173**	**189**
Additional equity method investments	3	
Divestiture of IQN/Beeline ownership interest	(113)	
Proportionate net income of investee companies	12	8
Dividends and distributions received	(3)	(3)
Currency translation adjustment	4	(21)
31 December	**76**	**173**

Note 8 – Financing arrangements

Short-term debt

As of 31 December 2018 and 31 December 2017, bank overdrafts and other short-term borrowings amounted to EUR 52 and EUR 46, respectively.

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 2018 and 31 December 2017.

Long-term debt

The Company's long-term debt as of 31 December 2018 and 31 December 2017 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	31.12.2018	31.12.2017
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	499	495
7-year guaranteed Euro medium-term notes	EUR 500	2022	1.5%	501	499
4-year guaranteed USD medium-term notes	USD 300	2021	2.625%	260	247
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	111	107
6-year guaranteed Euro medium-term notes	EUR 214	2019	2.75%	214	214
7-year guaranteed Euro medium-term notes	EUR 348	2018	4.75%		348
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	89	
15-year guaranteed Japanese Yen fixed rate notes	JPY 6,000	2033	1.05%	48	
Other				2	
				1,724	**1,910**
Less current maturities				(215)	(348)
Long-term debt, less current maturities				**1,509**	**1,562**

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.

The Company has entered into fair value hedges of the 2024 notes, which are further described in Note 12.

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.

The Company has entered into fair value hedges of the 2022 notes, which are further described in Note 12.

4-year guaranteed USD medium-term notes due 2021

On 21 November 2017, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued USD 300 medium-term 4-year notes with a coupon of 2.625%, guaranteed by Adecco Group AG, due on 21 November 2021, but callable by the Company at par within 2 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were used for general corporate purposes.

The Company has entered into fair value hedges of the 2021 notes, which are further described in Note 12.

8-year Swiss Franc fixed rate notes due 2020

On 18 July 2012, Adecco Group AG issued CHF 125 fixed rate notes with a coupon of 2.625% due on 18 December 2020. 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 was 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. In April 2018, Adecco International Financial Services BV settled the 2018 notes at maturity.

8-year Swiss Franc fixed rate notes due 2026

On 18 September 2018, Adecco Group AG issued CHF 100 fixed rate notes with a coupon of 0.875% due on 18 September 2026, 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 SIX Swiss Exchange. The proceeds were primarily used for general corporate purposes.

Notes to consolidated financial statements continued

in millions, except share and per share information

15-year guaranteed Japanese Yen fixed rate notes due 2033

On 3 October 2018, Adecco Financial Services (North America), LLC, a wholly owned subsidiary of the Company, issued JPY 6,000 medium-term 15-year notes with a coupon of 1.05%, guaranteed by Adecco Group AG, due on 3 October 2033. The notes were issued within the framework of the Euro Medium-Term Note Programme. There is no public listing of the notes. The proceeds were primarily used for general corporate purposes.

The Company has entered into cash flow hedges of the 2033 notes, which are further discussed in Note 12.

Payments of long-term debt translated using 31 December 2018 exchange rates are due as follows:

in EUR	2019	2020	2021	2022	2023	Thereafter	Total
Payments due by year	215	112	260	501		636	1,724

Other credit facilities

Committed multicurrency revolving credit facility

In April 2018, the Company entered into a new committed 5-year EUR 600 multicurrency revolving credit facility with a maturity date of April 2023. 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 0.225% and 0.55% per annum, depending on certain net debt-to-EBITDA ratios. The applicable margin levels set out above shall be subject to further variation in accordance with certain "ESG Score" provisions. In addition to the interest rate costs, a utilisation fee of 0.075%, 0.15%, or 0.30% applies for total utilisation of up to 33.33%, 66.67%, and above 66.67% of the facility amount, respectively. No utilisation fee shall be payable while the facility is unutilised. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of 31 December 2018 and 31 December 2017, there were no outstanding borrowings under the credit facility.

Note 9 – Shareholders' equity

The summary of the components of authorised shares as of 31 December 2018, 31 December 2017, and 31 December 2016 and changes during those years are as follows:

	Outstanding shares	Treasury shares	Issued shares[1]	Conditional capital	Authorised capital	Authorised shares
Changes in components of authorised shares						
1 January 2016	**170,314,225**	**4,160,712**	**174,474,937**	**19,566,804**		**194,041,741**
Share cancellation		(3,318,750)	(3,318,750)			(3,318,750)
Purchased over second trading line (share buyback)	(188,000)	188,000				
Other treasury share transactions	220,579	(220,579)				
31 December 2016	**170,346,804**	**809,383**	**171,156,187**	**19,566,804**		**190,722,991**
Changes in conditional and authorised capital				(4,166,804)	8,557,809	4,391,005
Purchased over second trading line (share buyback)	(4,201,500)	4,201,500				
Other treasury share transactions	(308,970)	308,970				
31 December 2017	**165,836,334**	**5,319,853**	**171,156,187[2]**	**15,400,000**	**8,557,809**	**195,113,996**
Share cancellation		(4,580,260)	(4,580,260)			(4,580,260)
Purchased over second trading line (share buyback)	(2,451,760)	2,451,760				
Other treasury share transactions	178,884	(178,884)				
31 December 2018	**163,563,458**	**3,012,469**	**166,575,927[2]**	**15,400,000**	**8,557,809**	**190,533,736**

1 Shares at CHF 1 nominal value.

2 Shares at CHF 0.10 nominal value.

Authorised shares and appropriation of available earnings

As approved by the shareholders at the Annual General Meeting of Shareholders of Adecco Group AG held on 20 April 2017 (2017 AGM), the 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options were cancelled on 18 July 2017. As of 31 December 2016, 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 2018, 31 December 2017, and 31 December 2016, 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.

As of 31 December 2018 and 31 December 2017, the Board of Directors are authorised, until 30 April 2019, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,557,809 shares with a nominal value of CHF 0.10 per share, as approved by the shareholders at the 2017 AGM.

Adecco Group AG may only pay dividends based on the requirements of the Swiss Code of Obligations, Articles of Incorporation, and based on the shareholders' equity reflected in the standalone financial statements of Adecco Group AG, the holding company of the Adecco Group, prepared in accordance with Swiss law. As of 31 December 2018, the standalone financial statements of Adecco Group AG included shareholders' equity of CHF 3,798 (EUR 3,375), of which CHF 17 represent share capital, CHF (160) represent treasury shares, and CHF 3,941 represent reserves and retained earnings. Of the CHF 3,941 balance, an amount of CHF 3 representing 20% of share capital, is restricted based on the Swiss Code of Obligations and cannot be distributed as dividends.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 19 April 2018 (2018 AGM), the shareholders approved a dividend of CHF 2.50 per share outstanding in respect of the fiscal year 2017. The entire dividend of EUR 353 was directly distributed to shareholders from voluntary retained earnings in April 2018.

For 2018, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be distributed from voluntary retained earnings to the shareholders.

Treasury shares

In 2018, 2017, and 2016, the number of treasury shares acquired on the regular trading line amounted to 84,423, 597,279, and 45,000, respectively, and the net consideration paid amounted to EUR 5, EUR 39, and EUR 3, respectively.

In 2018, 2017, and 2016, the Company awarded 25,960 treasury shares, 19,684 treasury shares, and 24,936 treasury shares, respectively, to the Board of Directors as part of their remuneration package (refer to section 5.1 "Board of Directors' remuneration and shareholding" within the Remuneration Report). In addition, in 2018, 2017, and 2016, 237,347 treasury shares, 268,625 treasury shares, and 240,643 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

As of 31 December 2018, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Company's long-term incentive plan (for further details refer to Note 10) as well as for the Board of Directors' remuneration.

The Company launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 300 announced in March 2017 (completed in March 2018).
- EUR 150 announced in March 2018.

As of 31 December 2018, 31 December 2017, and 31 December 2016, Adecco Group AG held 2,073,000 shares, 4,201,500 shares, and no shares, respectively, acquired under the share buyback programmes. The Company acquired 2,451,760 shares for EUR 113 in 2018, 4,201,500 shares for EUR 275 in 2017 and 188,000 shares for EUR 11 in 2016, respectively, under the share buyback programmes.

At the 2018 AGM, the shareholders approved the cancellation of 4,580,260 treasury shares acquired under the share buyback programme and the corresponding reduction of the Adecco Group AG's share capital by 4,580,260 registered shares with a nominal value of CHF 0.10 each. The cancellation of 4,580,260 treasury shares was completed on 4 July 2018. Effective 4 July 2018 the share capital of the Company amounts to CHF 17 divided into 166,575,927 shares.

The Board of Directors of Adecco Group AG will propose to the Annual General Meeting of Shareholders of 16 April 2019 a reduction of share capital through the cancellation of 3,231,750 shares repurchased under the EUR 150 share buyback programme consisting of 2,073,000 shares repurchased as of 31 December 2018 and 1,158,750 shares acquired from 1 January 2019 to 8 February 2019.

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	31.12.2018	31.12.2017	31.12.2016
Currency translation adjustment	(227)	(266)	47
Change in fair value of marketable securities			1
Change in fair value of cash flow hedges	(1)		
Pension-related adjustments	(45)	(25)	(38)
Accumulated other comprehensive income/(loss), net	**(273)**	**(291)**	**10**

In 2018, 2017, and 2016, an amount of EUR 1 (net of tax of less than EUR 1), EUR 1 (net of tax of less than EUR 1), and EUR 3 (net of tax of EUR 1), respectively, was reclassified from accumulated other comprehensive income/(loss), net to line item "Other income/(expenses), net" in the statement of operations in connection with pension-related adjustments. Additionally, an amount of EUR 1 (net of tax of EUR 1) and EUR 1 (net of tax of less than EUR 1) was reclassified from accumulated other comprehensive income/(loss), net to "Other income/(expenses), net" and "Interest expense" in the statement of operations in connection with cash flow hedging activities in 2018 and 2016, respectively, whereas no significant amounts were reclassified in 2017.

Note 10 – Stock-based compensation

As of 31 December 2018, the Company had non-vested share awards outstanding relating to its common shares. Compensation expense of EUR 12, EUR 14, and EUR 12, was recognised in 2018, 2017, and 2016, respectively, in connection with the non-vested share awards granted in 2018, 2017 and 2016. The total income tax benefit recognised related to stock compensation amounted to EUR 2 in 2018, EUR 3 in 2017, and EUR 3 in 2016.

Notes to consolidated financial statements continued

in millions, except share and per share information

Non-vested share award plans

Performance share awards were granted in March 2018, 2017, and 2016 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 2018, 2017, and 2016 awards 31 December 2020, 31 December 2019, and 31 December 2018, respectively). The requisite service period represents three calendar years starting on 1 January 2018, 1 January 2017, and 1 January 2016, 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 2018, 2017 and 2016 relate to the relative change in the Company's shareholder value including reinvested dividends (total shareholder return (TSR)), compared to that of a predefined group of peers (relative TSR awards).

In addition, service condition awards (restricted share unit awards (RSU awards)) were granted in 2018, 2017 and 2016 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 2018 for 2018 awards, 1 January 2017 for 2017 awards, and 1 January 2016 for 2016 awards.

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 2018, 2017, and 2016 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 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 the Monte Carlo simulation (2017 and 2016 binomial model), with an additional discount applied due to a 2-year post-vesting restriction on the sale of share awards granted in 2018. The Monte Carlo simulation runs a very large number of share price simulations based on various parameters (share prices, volatilities, dividends, expected returns, 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 the Company's peer group as provided by Standard & Poor's financial research database CapitalIQ. The expected dividend yield is based on actual dividends paid.

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:

	2018	2017	2016
Assumptions used for the estimation of the fair value of the TSR awards			
Implied at-the-money volatility	**19.8%**	22.3%	27.0%
Expected dividend yield	**3.60%**	3.57%	3.87%
Expected term	**3 years**	3 years	3 years
Risk-free rate	**n/a**	-0.68%	-0.71%

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 2018, 31 December 2017, and 31 December 2016 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 2016	**50,061**	**25**	**20,963**	**16**	**20,963**	**10**
Granted	199,894	24				
Forfeited						
Lapsed	(20,963)	20			(20,963)	10
Vested			(20,963)	16		
Non-vested share awards outstanding as of 31 December 2016	**228,992**	**24**	**–**	**–**	**–**	**–**
Granted	186,217	27				
Forfeited	(7,185)	24				
Lapsed	(15,629)	27				
Vested						
Non-vested share awards outstanding as of 31 December 2017	**392,395**	**25**	**–**	**–**	**–**	**–**
Granted	205,475	22				
Forfeited	(19,498)	23				
Lapsed	(13,469)	31				
Vested						
Non-vested share awards outstanding as of 31 December 2018	**564,903**	**24**	**–**	**–**	**–**	**–**

Notes to consolidated financial statements continued

in millions, except share and per share information

EBITA margin awards and EPS awards

The fair value of the EBITA margin awards and the EPS awards were determined based on the grant date market price of the Adecco Group AG share less a discount for not being entitled to any dividends over the vesting period. An additional discount is applied to determine the fair value of the EBITA margin awards and EPS awards granted to French participants due to a 2-year post-vesting restriction on the sale of share awards. Compensation expense of such performance condition share awards is recognised on a straight-line basis over the requisite service period, based on estimated achievement which is assessed on a quarterly basis. The expense impact of changes in the estimated attainment is recognised in the quarter of change as a cumulative adjustment to prior quarters' expense. No EBITA margin awards or EPS awards were awarded in 2018 or 2017.

A summary of the status of the Company's non-vested EBITA margin awards and EPS awards as of 31 December 2018, 31 December 2017, and 31 December 2016, and changes during the year are as follows:

	EBITA margin awards		EPS awards	
	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the non-vested EBITA margin awards and EPS awards				
Non-vested share awards outstanding as of 1 January 2016	**58,194**	**68**	**58,194**	**68**
Granted				
Forfeited				
Non-vested share awards outstanding as of 31 December 2016	**58,194**	**68**	**58,194**	**68**
Granted				
Forfeited				
Lapsed	(7,811)	65	(9,685)	65
Vested	(23,445)	65	(21,571)	65
Non-vested share awards outstanding as of 31 December 2017	**26,938**	**72**	**26,938**	**72**
Granted				
Forfeited				
Lapsed	(14,542)	72		
Vested	(12,396)	72	(26,938)	72
Non-vested share awards outstanding as of 31 December 2018	-	-	-	-

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 all participants due to a 2-year post-vesting restriction on the sale of share awards granted in 2018, and 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 granted in 2017 and 2016. 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 2018, 31 December 2017, and 31 December 2016 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 2016	**494,056**	**62**
Granted	192,512	52
Forfeited	(26,220)	59
Cancelled	(364)	52
Vested	(219,680)	57
Non-vested share awards outstanding as of 31 December 2016	**440,304**	**60**
Granted	188,676	55
Forfeited	(39,274)	56
Cancelled	(309)	55
Vested	(223,609)	61
Non-vested share awards outstanding as of 31 December 2017	**365,788**	**60**
Granted	206,379	51
Forfeited	(42,884)	53
Cancelled	(1,116)	56
Vested	(198,013)	58
Non-vested share awards outstanding as of 31 December 2018	**330,154**	**52**

As of 31 December 2018, the total unrecognised compensation expense related to non-vested share awards amounted to EUR 12. The cost is expected to be recognised over a weighted-average period of one and a half years. The total fair value of share awards vested in 2018, 2017, and 2016 amounted to EUR 15, EUR 16, and EUR 14, respectively.

Note 11 – 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 100 in 2018, EUR 84 in 2017, and EUR 80 in 2016, in connection with defined contribution plans, and an expense of EUR 68, EUR 63, and EUR 50 in connection with the Italian employee termination indemnity arrangement in 2018, 2017, and 2016, 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 2018 and 31 December 2017, the assets held in the Rabbi trusts amounted to EUR 129 and EUR 135, respectively. The related pension liability totalled EUR 128 and EUR 133 as of 31 December 2018 and 31 December 2017, 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 2018 and 31 December 2017, Alecta managed approximately EUR 75,400 and EUR 78,800, respectively, of plan assets on behalf of over 2 million private individuals and 34,000 companies. Total contributions made by all plan members to this plan in 2017 amounted to approximately EUR 4,000. The information on total contributions made by all plan members in 2018 has not yet been published by Alecta. Contributions made to this plan by the Company amounted to EUR 2 in 2018, EUR 2 in 2017 and EUR 2 in 2016.

Notes to consolidated financial statements continued

in millions, except share and per share information

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 2018 and 2017 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.

The components of pension expense, net, for the defined benefit plans are as follows:

	Swiss plan			Non-Swiss plans		
in EUR	**2018**	2017	2016	**2018**	2017	2016
Components of pension expense						
Service cost	19	17	17	7	7	5
Interest cost	1	2	2	2	2	2
Expected return on plan assets	(6)	(6)	(5)	(2)	(1)	(2)
Amortisation of prior years' service costs	(1)	(2)	(1)	1	1	1
Amortisation of net (gain)/loss		1	4	1	1	1
Pension expense, net	**13**	**12**	**17**	**9**	**10**	**7**

All other components of net defined pension expense except service costs are included in the line item "Other income/(expenses), net" in the statement of operations.

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 2018 and 31 December 2017:

	Swiss plan		Non-Swiss plans	
in EUR	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Pension liabilities and assets				
Projected benefit obligation, beginning of year	**259**	**248**	**108**	**107**
Service cost	19	17	7	7
Interest cost	1	2	2	2
Participants contributions	63	81	1	
Actuarial (gain)/loss	2	5	(1)	3
Effect of acquisitions, divestments or transfers			19	
Benefits paid	(72)	(71)	(5)	(6)
Settlement			(1)	(1)
Foreign currency translation	12	(23)	1	(4)
Projected benefit obligation, end of year	**284**	**259**	**131**	**108**
Plan assets, beginning of year	**287**	**255**	**45**	**42**
Actual return on assets	(14)	28		1
Employer contributions	21	19	4	4
Effect of acquisitions, divestments or transfers			18	5
Participants contributions	63	81	1	
Benefits paid	(72)	(71)	(3)	(4)
Settlement			(1)	(1)
Foreign currency translation	11	(25)	(1)	(2)
Plan assets, end of year	**296**	**287**	**63**	**45**
Funded status of the plan	**12**	**28**	**(68)**	**(63)**
Accumulated benefit obligation, end of year	**278**	**254**	**126**	**103**

The following amounts are recognised in the consolidated balance sheets as of 31 December 2018 and 31 December 2017:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Pension-related assets				
Other assets	12	28	1	1
Pension-related liabilities				
Other accrued expenses			(1)	(1)
Other liabilities			(68)	(63)
Total	**12**	**28**	**(68)**	**(63)**

As of 31 December 2018, the Company recognised a net loss of EUR 26 and EUR 19 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 2 of prior years' service costs were recognised in accumulated other comprehensive income/(loss), net, as of 31 December 2018, 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 1 gain and EUR 1 loss of prior years' service costs related to the Swiss defined benefit plan and non-Swiss defined benefit plans, respectively, are to be amortised into earnings from accumulated other comprehensive income/(loss), net, over the next fiscal year. As of 31 December 2017, the Company recognised a net loss of EUR 7 and EUR 18 for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net. Furthermore, a net gain of EUR 3 and a net loss of EUR 3 of prior years' service costs were recognised in accumulated other comprehensive income/(loss), net, as of 31 December 2017, for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively.

For plans with a PBO in excess of the fair value of plan assets as of 31 December 2018 and 31 December 2017, the total PBO was EUR 128 and EUR 104, respectively, and the fair value of the plan assets was EUR 59 and EUR 40, 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 125 and EUR 99 as of 31 December 2018 and 31 December 2017, respectively, and the fair value of the plan assets of those plans was EUR 61 and EUR 40, 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 %	2018	2017	2016	2018	2017	2016
Weighted-average actuarial assumptions						
Discount rate	0.8	0.6	0.6	1.9	1.8	1.9
Rate of increase in compensation levels	2.1	2.1	2.1	1.5	1.5	1.0
Expected long-term rate of return on plan assets	2.2	2.2	2.2	3.6	3.7	4.2

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 long-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.

Notes to consolidated financial statements continued

in millions, except share and per share information

The Swiss and non-Swiss pension plans' target weighted-average asset allocations as of 31 December 2018 and 31 December 2017, by asset category, are as follows:

	Swiss plan	Non-Swiss plans
in %	Target allocation range	Target allocation range
Weighted-average asset allocations		
Equity securities	20-50	0-5
Debt securities	15-50	20-50
Real estate	5-25	0-5
Other	0-50	0-100

The actual asset allocations of the plans are in line with the target asset allocations.

The table below sets forth the fair value of the Company's pension plan assets as of 31 December 2018 and as of 31 December 2017. Certain investments that are measured at fair value using the Net Asset Value (NAV) per share as a practical expedient have not been categorised in the fair value hierarchy. The fair value amounts presented in this table provide a reconciliation of the fair value hierarchy to the total value of plan assets.

31 December 2018

	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	13			13	6			6
Equity securities:								
– Switzerland	47			47				
– Rest of the world	72			72				
Debt securities:								
– Government bonds	15			15	15			15
– Corporate bonds	61			61	2			2
Alternative investments:								
– Commodity funds/private equity	14			14				
– Alternative investment funds		10		10	16			16
Real estate funds	41			41				
Other					4		20	24
Net plan assets subject to leveling	**263**	**10**		**273**	**43**		**20**	**63**
Investments using NAV as a practical expedient:								
Alternative investments:								
– Commodity funds/private equity				11				
Real estate funds				12				
Investments at Fair Value				**296**				**63**

31 December 2017

in EUR	Swiss plan Level 1	Level 2	Level 3	Total	Non-Swiss plans Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents	19			19	5			5
Equity securities:								
– Switzerland	45			45				
– Rest of the world	69			69				
Debt securities:								
– Government bonds	12			12	16			16
– Corporate bonds	61			61	2			2
Alternative investments:								
– Commodity funds/private equity	15			15				
– Alternative investment funds		10		10	17			17
Real estate funds	37	1		38				
Other					5			5
Total	**258**	**11**		**269**	**45**			**45**
Investments using NAV as a practical expedient:								
Alternative investments:								
– Commodity funds/private equity				12				
Real estate funds				6				
Investments at Fair Value				**287**				**45**

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 2018 and 31 December 2017 is as follows:

in EUR	Non-Swiss plans
Private equity funds	
Balance as of 1 January 2017	
Purchases, sales, and settlements, net	
Balance as of 31 December 2017	
Purchases, sales, and settlements, net	20
Balance as of 31 December 2018	**20**

The Company expects to contribute EUR 22 to its pension plan in Switzerland and EUR 3 to its non-Swiss plans in 2019.

Future benefits payments, which include expected future service, are estimated as follows:

in EUR	Swiss plan	Non-Swiss plans
Future benefits payments		
2019	79	5
2020	19	5
2021	18	5
2022	16	5
2023	15	6
Years 2024–2028	63	38

in millions, except share and per share information

Note 12 – 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 2018 and 31 December 2017:

	31.12.2018		31.12.2017	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
– Cash and cash equivalents	652	652	958	958
– Short-term investments			4	4
– Trade accounts receivable, net	4,432	4,432	4,440	4,440
Current liabilities:				
– Accounts payable	793	793	766	766
– Short-term debt	52	52	46	46
– Current maturities of long-term debt	215	222	348	353
Non-current liabilities:				
– Long-term debt, less current maturities	1,509	1,758	1,562	1,622

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 8 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 2018 and 31 December 2017:

in EUR	Balance sheet location	Notional amount 31.12.2018	Notional amount 31.12.2017	Fair value 31.12.2018	Fair value 31.12.2017
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
– Foreign currency contracts	Other current assets	44	194	1	3
– Interest rate swap	Other current assets		50		
– Interest rate swap	Other assets	300		6	
– Cross-currency interest rate swap	Other assets	48			
Derivatives not designated as hedging instruments under ASC 815:					
– Foreign currency contracts	Other current assets	310	740	6	8
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
– Foreign currency contracts	Other accrued expenses	314		(12)	
– Interest rate swap	Other liabilities	262			
Derivatives not designated as hedging instruments under ASC 815:					
– Foreign currency contracts	Other accrued expenses	669	623	(13)	(8)
– Cross-currency interest rate swaps	Other accrued expenses	44		(1)	
– Cross-currency interest rate swaps	Other liabilities	200	242	(10)	(2)
Total net derivatives				(23)	1

In addition, accrued interest receivable on interest rate swaps of less than EUR 1 was recorded in other current assets as of 31 December 2018 and less than EUR 1 as of 31 December 2017. As of 31 December 2018 and as of 31 December 2017, 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 2018 and 31 December 2017, the total impact of non-performance risk and liquidity risk was an adjustment of less than EUR 1 and EUR 4, respectively.

Fair value hedges

An interest rate swap, with a notional amount of EUR 50 that has been designated as a fair value hedge of the 2018 notes issued by Adecco International Finance Services BV expired on settlement of the notes in April 2018.

Interest rate swaps, with notional amounts of USD 300 that contain a receipt of fixed interest rate amounts and payment of floating interest rate amounts, has been designated as a fair value hedge of the 2021 notes for USD 300 issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of four years and expires in November 2021.

Interest rate swaps, with notional amounts of EUR 150 that contain a receipt of fixed interest rate amounts and payment of floating interest rate amounts, has been designated as a fair value hedge of the 2022 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of five years and expires in November 2022.

Interest rate swaps, with notional amounts of EUR 150 that contain a receipt of fixed interest rate amounts and payment of floating interest rate amounts, has been designated as a fair value hedge of the 2024 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of seven years and expires in December 2024.

in millions, except share and per share information

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 2018, 2017, and 2016, are 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		
		2018	2017	2016			2018	2017	2016
Interest rate swaps	Interest expense	6	(1)	(1)	Long-term debt	Interest expense	(6)		1

In addition, the Company recorded a gain of less than EUR 1 in 2018, 2017, and 2016 respectively, in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in 2018, 2017, and 2016, 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 2018, 2017, and 2016.

Cash flow hedges

A cross-currency interest rate swap, with notional amounts of JPY 6,000 that contain a receipt of fixed interest rate amount in JPY and payment of fixed interest rate amount in USD, has been designated as a cash flow hedge of the 2033 notes for JPY 6,000 issued by Adecco Financial Services (North America), LLC. The outstanding contract has an original contract period of fifteen years and expires in October 2033.

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 2018, less than EUR 1 as of 31 December 2017 and EUR 1 as of 31 December 2016, respectively. No gains relating to cash flow hedges are included as a component of accumulated other comprehensive income/(loss) as of 31 December 2018, 31 December 2017 and 31 December 2016. No significant gains or losses were recorded in 2018, 2017, and 2016, due to ineffectiveness in cash flow hedge relationships. In 2018, 2017, and 2016, 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.

Net investment hedges

In 2018 and 2017, the Company has entered into certain derivative contracts that are designated as net investment hedges under ASC 815. Foreign currency forward contracts are mainly used to hedge a portion of certain investments with operations in different currencies against Swiss Francs. There was an effective portion of gains/(loss) on net investment hedges recognised in accumulated other comprehensive income/(loss), net of EUR (4) as of 31 December 2018 and EUR 18 as of 31 December 2017, respectively. No gains or losses were recorded due to ineffectiveness in the net investment hedge relationships as of 31 December 2018 and 31 December 2017. As of 31 December 2018 and 31 December 2017, losses of EUR 4 and EUR 4, respectively were excluded from the assessment of hedge effectiveness of the net investment hedges.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Foreign currency contracts and cross-currency interest rate swaps are used to hedge the net exposure of subsidiary funding advanced in the local operations' functional currency. Contracts are entered into in accordance with the approved treasury policies and procedures, and represent economic hedges. Gains and losses on these contracts are recognised in earnings and are included in other income/(expenses), net, in the accompanying consolidated statements of operations.

In connection with these activities, the Company recorded a net loss of EUR 2 in 2018, a net loss of less than EUR 1 in 2017, and a net gain of EUR 5 in 2016 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		
		2018	2017	2016			2018	2017	2016
Cross-currency interest rate swaps	Other income/(expenses), net	(7)	(2)	2	Loans and receivables to/from subsidiaries	Other income/(expenses), net	7	2	(1)
Foreign currency contracts	Other income/(expenses), net	(12)	51	7	Cash, loans, and receivables to/from subsidiaries	Other income/(expenses), net	10	(51)	(3)

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 13 – 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 2018 and 31 December 2017, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
31 December 2018				
Assets				
Available-for-sale securities			3	3
Derivative assets		13		13
Liabilities				
Derivative liabilities		36		36
31 December 2017				
Assets				
Available-for-sale securities	4		2	6
Derivative assets		11		11
Liabilities				
Derivative liabilities		10		10

Note 14 – Other income/(expenses), net

For the years 2018, 2017, and 2016 other income/(expenses), net, consist of the following:

in EUR	2018	2017[1]	2016[1]
Foreign exchange gain/(loss), net	(9)	(4)	5
Interest income	9	7	4
Proportionate net income of equity method investments	12	8	9
Other non-operating income/(expenses), net	88	(10)	12
Total other income/(expenses), net	**100**	**1**	**30**

1 Due to adoption of ASU 2017-07 - Presentation of net periodic pension and postretirement benefit cost in 2018, the figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". For historical restatements the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note for the prior comparative periods.

In 2018, foreign exchange gain/(loss), net includes a loss of EUR 2 resulting from the designation of Argentina as a highly-inflationary economy on 1 July 2018 and the related adoption of the EUR as the reporting currency of the Company's Argentinian subsidiary. Other non-operating income/(expense), net includes a EUR 113 gain from the sale of the remaining ownership interest in IQN/Beeline Holdings, LLC, and a EUR 25 expense to establish the Adecco Group U.S. Foundation, Inc. and The Adecco Group U.S. Charities, Inc.

In 2017, other non-operating income/(expenses), net includes a EUR 12 loss related to the sale of OnForce.

In 2016, other non-operating income/(expenses), net, includes a EUR 100 gain related to the deconsolidation of Beeline following its merger with IQNavigator, a loss of EUR 15, EUR 1, and EUR 8 related to the sale of the business in Russia, Ukraine, and Venezuela, respectively, a loss of EUR 26 related to the buyback of the outstanding 2019 and 2018 Adecco International Finance Services BV notes (refer to Note 8 for details), and a EUR 19 expense to establish the Adecco Group Foundation.

Note 15 – 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 295, EUR 180, and EUR 66 in 2018, 2017, and 2016, respectively. Foreign source income before income taxes amounted to EUR 432, EUR 759, and EUR 969 in 2018, 2017, and 2016, respectively.

Notes to consolidated financial statements continued

in millions, except share and per share information

The provision for income taxes consists of the following:

in EUR	2018	2017	2016
Provision for income taxes			
Current tax provision:			
Domestic	16	12	9
Foreign	276	305	263
Total current tax provision	**292**	**317**	**272**
Deferred tax provision/(benefit):			
Domestic	18	16	9
Foreign	(43)	(184)	29
Total deferred tax provision/(benefit)	**(25)**	**(168)**	**38**
Total provision for income taxes	**267**	**149**	**310**

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

in EUR	2018	2017	2016
Tax rate reconciliation			
Income taxed at weighted-average tax rate	127	239	300
Items taxed at other than weighted-average tax rate	47	43	15
Non-deductible expenses and other permanent items	13	22	13
Non-deductible impairment of goodwill	86		
Tax treaty adjustment		(1)	(3)
Net change in valuation allowance	(9)	(143)	(1)
Other, net	3	(11)	(14)
Total provision for income taxes	**267**	**149**	**310**

In 2018, 2017, and 2016, 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 2018, 2017, and 2016, the reconciling item "items taxed at other than weighted-average tax rate" includes EUR 7 positive impact related to prior year movements in tax contingencies, and EUR 24 negative impact, and EUR 6 positive impact respectively, related to the settlement of tax contingencies, and additionally the impact of CICE (tax credit for competitiveness and employment), which is non-taxable.

In 2018, 2017, and 2016, the reconciling item "non-deductible expenses and other permanent items" includes permanent items primarily related to intercompany provisions, foreign exchange, and other write-offs that are deductible for tax purposes, but have no impact on the consolidated financial statements.

In 2017, and 2016, 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 2018, the positive impact of the reconciling item "net change in valuation allowance" is mainly related to a EUR 17 decrease in valuation allowance on prior year and current year losses in Belgium and a EUR 4 decrease in changes in temporary differences in France and Australia. This was partially offset by a EUR 11 increase in valuation allowance on prior year losses in the Netherlands.

In 2017, the positive impact of the reconciling item "net change in valuation allowance" is mainly related to a EUR 115 decrease in valuation allowance on prior year and current year losses and changes in temporary differences in France due to tax law changes, and a EUR 22, EUR 3, EUR 2, and EUR 2 decrease in valuation allowance on prior year losses in Switzerland, Denmark, Australia, and Brazil respectively.

In 2016, the reconciling item "net change in valuation allowance" includes EUR 20 valuation allowance on prior year and current year losses and changes in temporary differences in France, EUR 3 and EUR 2 valuation allowance on current year losses in Australia and Germany, respectively. This was partially offset by a EUR 12 decrease in valuation allowance on prior year losses in both Switzerland and the USA, respectively.

In 2017, the positive impact of the reconciling item "Other, net" includes a positive EUR 16 impact due to the rate change on deferred taxes offset by the one-time transition tax as a result of the US Tax Cuts and Jobs Act enacted on 22 December 2017.

As of 31 December 2018 and 31 December 2017, a deferred tax liability of EUR 17 and EUR 20, 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 2018 and 2017, 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 2018 and 31 December 2017, such earnings amounted to approximately EUR 3,687 and EUR 3,534, respectively. Furthermore, in 2018 and 2017, 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 2018 and 31 December 2017, such earnings amounted to approximately EUR 269 and EUR 102, 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	31.12.2018	31.12.2017
Temporary differences		
Net operating loss carryforwards and capital losses	229	214
Tax credits	3	6
Depreciation	8	10
Deferred compensation and accrued employee benefits	75	65
Allowance for doubtful accounts	9	10
Accrued expenses	69	68
Elimination of intercompany transactions	12	31
Other	9	10
Gross deferred tax assets	**414**	**414**
Unrecognised tax benefits provision, net	(58)	(52)
Valuation allowance	(103)	(113)
Deferred tax assets, net	**253**	**249**
Intangible assets book basis in excess of tax basis	(85)	(70)
Tax amortisation in excess of financial amortisation	(81)	(87)
Undistributed earnings of subsidiaries	(17)	(20)
Investment book basis in excess of tax basis	(11)	(21)
Deferred tax liabilities	**(194)**	**(198)**
Deferred tax assets/(liabilities), net	**59**	**51**

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 10 to EUR 103. Included in the change of the valuation allowance is a net decrease of EUR 8 due to changes in temporary differences, a net decrease of EUR 4 for current and prior years' losses and a net decrease of EUR 3 related to changes in enacted tax rates and foreign currency fluctuations, offset by a net increase of EUR 5 related to current and prior years' losses arising from acquisitions.

The following table summarises the deferred tax assets and deferred tax liabilities reported by the Company as of 31 December 2018 and 31 December 2017:

in EUR	Balance sheet location	31.12.2018	31.12.2017
Deferred tax assets	Other assets	151	176
Deferred tax liabilities	Other liabilities	(92)	(125)
Deferred tax assets/(liabilities), net		**59**	**51**

Notes to consolidated financial statements continued

in millions, except share and per share information

As of 31 December 2018, the Company had approximately EUR 838 of net operating loss carryforwards and capital losses. These losses will expire as follows:

in EUR	2019	2020	2021	2022	2023	Thereafter	No expiry	Total
Expiration of losses by year	15	13	15	29	4	190	572	838

The largest net operating loss carryforwards and capital losses are EUR 788 as of 31 December 2018 in France, Germany, the USA, the Netherlands, the UK, Norway, Brazil, Australia, Denmark and Switzerland. The losses in the Netherlands, the USA, Switzerland and Norway begin to expire in 2019, 2022, 2022, and 2024, respectively. The losses in France, Germany, the UK, Brazil, Australia and Denmark do not expire. In addition, tax credits of EUR 3 are mainly related to Spain and the USA operations and begin to expire in 2019.

As of 31 December 2018, the amount of unrecognised tax benefits including interest and penalties is EUR 97, of which EUR 81 would, if recognised, decrease the Company's effective tax rate. As of 31 December 2017, the amount of unrecognised tax benefits including interest and penalties was EUR 87, of which EUR 76 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 2018 and 31 December 2017, the amount of interest and penalties recognised in the balance sheet amounted to EUR 2 and EUR 3, respectively. The total amount of interest and penalties recognised in the statement of operations was a net benefit of less than EUR 1 in 2018, less than EUR 1 in 2017 and less than EUR 1 in 2016, respectively.

The following table summarises the activity related to the Company's unrecognised tax benefits excluding interest and penalties:

in EUR	Unrecognised tax benefits
Balance as of 1 January 2016	**45**
Increases related to current year tax positions	9
Expiration of the statute of limitations for the assessment of taxes	(5)
Settlements with tax authorities	(1)
Additions to prior years	2
Decreases to prior years	(2)
Foreign exchange currency movement	(1)
Balance as of 31 December 2016	**47**
Increases related to current year tax positions	15
Expiration of the statute of limitations for the assessment of taxes	(6)
Additions to prior years	33
Decreases to prior years	(2)
Foreign exchange currency movement	(3)
Balance as of 31 December 2017	**84**
Increases related to current year tax positions	19
Expiration of the statute of limitations for the assessment of taxes	(10)
Additions to prior years	2
Decreases to prior years	(1)
Foreign exchange currency movement	1
Balance as of 31 December 2018	**95**

In 2017, the item "additions to prior years" includes a EUR 24, EUR 5, and EUR 3 increase related to prior year tax positions in France, Denmark, and Switzerland, respectively, mainly related to changes in estimates due to current year audit activity. The item "decreases to prior years" includes a favourable impact of EUR 2 to income tax expense, mainly due to various settlements of contingencies.

In 2016, the items "settlements with tax authorities" and "decreases to prior years" include cash payments and reduction of net operating losses carryforwards of EUR 1, and a favourable impact of EUR 2 to income tax expense, mainly due to various settlements of contingencies. Furthermore, in 2016 the item "additions to prior years" mainly relates to changes in estimates due to current year audit activity.

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	2016 onwards
Canada	2011 onwards
France	2012 onwards
Germany	2010 onwards
Italy	2014 onwards
Japan	2012 onwards
Mexico	2013 onwards
Netherlands	2013 onwards
Spain	2014 onwards
UK	2015 onwards
USA	2017 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 16 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	2018		2017		2016	
in EUR (except number of shares)	**Basic**	**Diluted**	Basic	Diluted	Basic	Diluted
Numerator						
Net income attributable to Adecco Group shareholders	**458**	**458**	**788**	**788**	**723**	**723**
Denominator						
Weighted-average shares	**165,394,453**	**165,394,453**	**168,745,176**	**168,745,176**	**170,292,621**	**170,292,621**
Incremental shares for assumed conversions:						
– Employee stock-based compensation		287,467		355,347		233,220
Total average equivalent shares	**165,394,453**	**165,681,920**	**168,745,176**	**169,100,523**	**170,292,621**	**170,525,841**
Per share amounts						
Net earnings per share	**2.77**	**2.77**	**4.67**	**4.66**	**4.24**	**4.24**

in millions, except share and per share information

Note 17 – Segment reporting

As outlined in Note 3, the Company acquired General Assembly and its results of operations have been included in the consolidated financial statements as of 31 May 2018. In terms of segment reporting this business was merged into the segment previously called 'Lee Hecht Harrison' and the segment renamed to 'Career Transition & Talent Development' (CTTD).

The Company is organised in a geographical structure plus the global business CTTD, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; 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) and Recruitment Process Outsourcing (RPO). BPO included Vendor Management System (VMS) until December 2016, when VMS activities were deconsolidated following the merger with IQNavigator. The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

The Company evaluates the performance of its segments based on operating income before amortisation and impairment of goodwill and intangible assets, which is defined as the amount of income before amortisation and impairment of goodwill and intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, equity method investments, other assets, intangible assets, net, and goodwill, but exclude investments in subsidiaries and intercompany balances. The accounting principles used for the segment reporting are those used by the Company.

Revenues derived from temporary staffing represented 87% in 2018, 88% in 2017, and 88% in 2016 of the Company's revenues. The remaining portion was derived from permanent placement, career transition, and other services.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
2018 segment reporting											
Revenues	5,657	2,972	3,434	2,148	2,075	1,997	1,289	447	3,848		23,867
Depreciation	(15)	(11)	(7)	(8)	(6)	(3)	(5)	(6)	(11)	(14)	(86)
Operating income before amortisation and impairment of goodwill and intangible assets	352	92	185	22	44	163	90	76	151	(188)	987
Amortisation of intangible assets											(52)
Impairment of goodwill											(270)
Operating income											665
Interest expense and other income/(expenses), net											62
Provision for income taxes											(267)
Net income											**460**
Capital expenditures	(22)	(18)	(10)	(11)	(10)	(6)	(11)	(6)	(15)	(49)	(158)
Equity method investments	5								70	1	76
Segment assets	1,720	1,835	1,709	895	714	382	483	855	1,064	61	9,718
Long-lived assets[1]	267	175	22	47	22	18	32	31	67	75	756

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

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
2017 segment reporting											
Revenues	5,350	3,017	3,608	2,185	2,079	1,837	1,276	424	3,884		23,660
Depreciation	(18)	(9)	(6)	(6)	(5)	(3)	(3)	(4)	(12)	(11)	(77)
Operating income before amortisation and impairment of goodwill and intangible assets[1]	344	93	208	91	72	141	86	119	148	(151)	1,151
Amortisation of intangible assets											(32)
Impairment of intangible assets											(129)
Operating income											990
Interest expense and other income/(expenses), net[1]											(51)
Provision for income taxes											(149)
Net income											**790**
Capital expenditures	(15)	(14)	(6)	(8)	(7)	(4)	(3)	(2)	(14)	(27)	(100)
Equity method investments	4		108						59	2	173
Segment assets	1,831	1,507	1,775	1,187	748	385	406	547	1,075	429	9,890
Long-lived assets[2]	294	167	13	54	18	13	18	14	59	40	690

1 Due to adoption of ASU 2017-07 - Presentation of net periodic pension and postretirement benefit cost in 2018, the 2017 figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". For historical restatements the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note for the prior comparative periods.

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

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux & Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
2016 segment reporting											
Revenues	4,947	3,079	3,769	2,175	1,897	1,464	1,276	432	3,669		22,708
Depreciation	(19)	(10)	(10)	(5)	(5)	(2)	(4)	(5)	(16)	(9)	(85)
Operating income before amortisation and impairment of goodwill and intangible assets[1]	323	114	216	101	69	114	84	111	111	(145)	1,098
Amortisation of intangible assets											(34)
Operating income											1,064
Interest expense and other income/(expenses), net[1]											(29)
Provision for income taxes											(310)
Net income											**725**
Capital expenditures	(15)	(5)	(10)	(8)	(7)	(3)	(2)	(3)	(12)	(11)	(76)
Equity method investments	4		123						57	5	189
Segment assets	1,567	1,666	1,980	1,233	706	315	377	593	1,048	614	10,099
Long-lived assets[2]	249	165	45	31	15	10	17	16	56	24	628

1 Due to adoption of ASU 2017-07 - Presentation of net periodic pension and postretirement benefit cost in 2018, the 2016 figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". For historical restatements the Company used the practical expedient which allows the use of the amounts disclosed in the employee benefit plans note for the prior comparative periods.

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									
2018	5,728	4,232	2,073	1,564	1,292	2,000	519	6,459	23,867
2017	5,426	4,362	2,121	1,645	1,279	1,841	480	6,506	23,660
2016	5,025	4,564	2,190	1,655	1,279	1,468	464	6,063	22,708
Long-lived assets[1]									
2018	291	200	19	25	32	18	73	98	756
2017	301	174	11	13	18	13	76	84	690
2016	258	205	10	15	17	10	36	77	628

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								
2018	5,463	12,692	2,545	995	1,012	549	611	23,867
2017[1]	5,606	12,301	2,592	1,066	999	503	593	23,660
2016[1]	5,390	11,509	2,586	1,108	1,001	461	653	22,708

1 Certain reclassifications have been made in order to conform to the current period presentation.

Note 18 – 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 241 in 2018, EUR 225 in 2017, and EUR 228 in 2016. Future minimum annual lease payments under operating leases translated using 31 December 2018 exchange rates are as follows:

in EUR	2019	2020	2021	2022	2023	Thereafter	Total
Operating leases	195	132	90	55	38	41	551

As of 31 December 2018, the Company has future purchase and service contractual obligations of approximately EUR 148, 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 2018 exchange rates are as follows:

in EUR	2019	2020	2021	2022	2023	Thereafter	Total
Purchase and service contractual obligations	84	32	16	16			148

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 792. 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 19 – Enterprise risk management

The Company's Board of Directors, who are ultimately responsible for the risk management of the Company, has delegated its execution to Group management.

The enterprise risk management process is embedded into the Company's strategic and organisational context. The process is focused on managing risks as well as identifying opportunities. The Company's risk management process covers the significant risks for the Company including financial, operational and strategic risks. All segments perform the risk management process on a regular basis and report their results to Group management. The Company's risk management activities consist of risk identification, risk analysis, risk mitigation and risk monitoring.

Group management has provided an extensive risk catalogue defining risk categories which can have a significant impact on the Company's results. Those key recurring risk categories are, amongst others, economic environment, client attraction and retention, associate attraction and retention, employee attraction and retention, financial risk, Information Technology, changes in regulatory/legal and political environment, compliance with laws, disruptive technologies, and data protection. All risk categories are considered in the assessment performed by all segments within the Company.

The risk assessment includes the following steps: identification of risks that could impact on the financial results or strategic achievements, assessment of the likelihood of the risk occurrence, assessment of the effectiveness of existing internal controls, and development of action plans needed to mitigate the risk to an acceptable level.

The risk assessment is aligned with the Company's organisational structure. The segments report to Group management a comprehensive risk assessment, including mitigating actions. At Group management level, the individual segment results are reviewed and discussed with the segments before being consolidated.

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 12. 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 2018.

Note 20 – Subsequent events

The Company has evaluated subsequent events through 13 March 2019, the date the consolidated financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date but prior to 13 March 2019 that would have a material impact on the consolidated financial statements.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF ADECCO GROUP AG, ZÜRICH

As statutory auditor, we have audited the consolidated financial statements of Adecco Group AG (the Company), which comprise the consolidated balance sheets as of 31 December 2018 and 2017, and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended 31 December 2018 and the related notes to the consolidated financial statements (pages 107-145).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles 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 and 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Adecco Group AG as of 31 December 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 December 2018 in conformity with U.S. generally accepted accounting principles 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibility section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Revenue recognition and recoverability of trade accounts receivable

Area of focus The Company applies judgment regarding the recognition of complex service contracts and in determining whether a sales arrangement needs to be recognized on a gross or on a net basis (principal versus agent considerations). Judgment is also applied when accruing revenue. Trade accounts receivable represent 46% of the Group's total assets and 123% of the Group's total shareholders' equity as of December 2018. The Company applies judgment to its ability to collect outstanding receivables on an entity-by-entity basis. Due to the significance of revenues and the carrying values for trade accounts receivable and the judgment involved, this matter was considered significant to our audit. Refer to Note 2 and Note 4 to the consolidated financial statements for the Company's disclosures on revenue and trade accounts receivable respectively.

Our audit response We assessed the Company's internal controls over its significant revenue and trade accounts receivable processes, also considering the new accounting policy for revenue recognition. We selected samples of service contracts and revenue transactions to assess their occurrence, completeness and measurement. We performed procedures concerning the existence and valuation of trade accounts receivable, including debtor circularization. To assess the net realizable value of trade accounts receivable, we evaluated specific individual circumstances of a debtor, the aging of receivables, historical collection data and current economic trends. Our audit procedures did not lead to any reservations concerning the recognition of revenues and recoverability of trade accounts receivables.

Goodwill and indefinite-lived intangible assets

Area of focus

Goodwill and indefinite-lived intangible assets represented 34% of the Group's total assets and 91% of the Group's total shareholders' equity as of December 2018. 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 2018 and determined that there was an impairment in the Germany, Austria, Switzerland reporting unit.

The Company recorded a EUR 270 million impairment in relation to the reporting unit Germany, Austria and Switzerland based on management's revised five-year projections for sales and earnings on recent regulatory changes in Germany and weaker macroeconomic outlook.

Key assumptions concerning the impairment test are disclosed in Note 6 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 profit margins, long-term value and 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, the historical accuracy of the Company's estimates and its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compare these assumptions to corroborating information, including industry reports, economic outlooks, analyst reports and data from competitors. Our audit procedures did not lead to any reservations concerning the recoverability of goodwill and indefinite-lived intangible assets.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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

Zürich, Switzerland
13 March 2019

Balance sheets

in millions, except share and per share information

As of (in CHF)	Note	31.12.2018	31.12.2017
Assets			
Current assets:			
• Cash and cash equivalents		58	327
• Receivables			
– from subsidiaries		163	69
– from third parties		8	5
• Current financial assets		8	12
• Other current assets		11	13
Total current assets		**248**	**426**
Non-current assets:			
• Loans to subsidiaries, net		2,140	1,680
• Investments in subsidiaries, net	2	9,744	9,601
• Software and other intangible assets, net		33	27
• Fixed assets, net		4	5
• Other non-current assets		16	10
Total non-current assets		**11,937**	**11,323**
Total assets		**12,185**	**11,749**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Payables			
– to subsidiaries		94	103
– to third parties		38	27
• Current maturities of long-term interest-bearing debt	4		
• Other current liabilities		95	63
Total current liabilities		**227**	**193**
Non-current liabilities:			
• Long-term interest-bearing debt			
– from subsidiaries		7,903	7,837
– from third parties	4	225	125
• Other non-current liabilities		32	25
Total non-current liabilities		**8,160**	**7,987**
Total liabilities		**8,387**	**8,180**
Shareholders' equity			
Share capital		17	17
Statutory reserves from capital contribution	7	2	2
Statutory retained earnings	7	407	407
Voluntary retained earnings	7	3,532	3,523
Treasury shares	8	(160)	(380)
Total shareholders' equity		**3,798**	**3,569**
Total liabilities and shareholders' equity		**12,185**	**11,749**

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

Statements of operations

in millions, except share and per share information

For the fiscal years ended 31 December (in CHF)	Note	2018	2017
Royalties and licence fees		458	412
Charges to affiliated companies		176	128
Dividends from subsidiaries		468	5
Interest income from subsidiaries		54	56
Interest income from third parties		4	2
Total income		**1,160**	**603**
Interest expense to subsidiaries		(42)	(80)
Interest expense to third parties		(5)	(11)
Salaries and social charges		(83)	(74)
Other expenses		(254)	(174)
Depreciation and amortisation		(13)	(16)
Change of provisions on loans and investments, net		7	155
Financial income/(expenses), net	12	(18)	(10)
Other income		18	15
Income/(loss) before taxes		**770**	**408**
Direct taxes		(9)	(4)
Net income/(loss)		**761**	**404**

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

Notes to financial statements

in millions, except share and per share information

Note 1 – Summary of significant accounting principles

Adecco Group AG (Zürich, Switzerland) is the parent company of the Adecco Group.

In 2018, Adecco Group AG had on average 237 full-time employees. In 2017, Adecco Group AG had on average 198 full-time employees.

Basis of presentation

The statutory financial statements have been prepared in accordance with the Swiss Code of Obligations (SCO).

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates at the date of the transactions. The gains and losses resulting from the settlement of such transactions and from the remeasurement of current assets and liabilities denominated in foreign currencies are recognised in financial income/(expenses), net. Net unrealised gains on non-current assets and liabilities are deferred in liabilities and unrealised losses are recognised in financial income/(expenses), net.

Financial assets

Current and non-current financial assets contain foreign currency contracts and cross-currency interest rate swaps, and are measured at market price. Movements in market prices are recorded in financial income/(expenses), net.

Investments in subsidiaries

Investments in subsidiaries are valued at the lower of cost or fair value, using generally accepted valuation principles.

Share-based payments

Adecco Group AG records a provision for share-based compensation in other non-current liabilities for subsequent settlement with treasury shares. Any differences between the provision and the acquisition costs for treasury shares are recorded in other expenses at settlement.

Note 2 – Investments in subsidiaries

As of 31 December 2018 and 31 December 2017, the investments in subsidiaries amount to CHF 10,611 and CHF 10,605, respectively, and are shown net of a provision of CHF 867 and CHF 1,004, respectively. In 2018, the net release of the provision on investments of CHF 137 consists of an increase of provisions of CHF 229 and a release of provisions of CHF 366. In 2017, the net release of the provision on investments of CHF 158 consists of an increase of provisions of CHF 26 and a release of provisions of CHF 184.

Direct investments as of 31 December 2018 and 31 December 2017

Country	Registered office	Name of legal entity	2018 Ownership & voting power	2017 Ownership & voting power
Andorra	Andorra la Vella	Adecco Recursos Humans SA	67%	67%
Argentina	Buenos Aires	Adecco Argentina S.A.	81%	81%
Australia	Melbourne	Adecco Holdings Pty Ltd	100%	100%
Austria	Vienna	Adecco Holding GmbH	100%	100%
Austria	Vienna	Tuja Holding GmbH	100%	100%
Belgium	Groot-Bijgaarden	Adecco Construct NV	100%	100%
Belgium	Groot-Bijgaarden	Adecco Personnel Services NV	100%	100%
Belgium	Groot-Bijgaarden	Adecco Professional Staffing NV	100%	100%
Belgium	Antwerp	Beeple NV	50%	50%
Bermuda	Hamilton	Adecco Reinsurance Company Limited	100%	100%
Brazil	São Paulo	Adecco Recursos Humanos S.A.	100%	100%
Bulgaria	Sofia	Adecco Bulgaria EOOD	100%	100%
Bulgaria	Sofia	Modis Bulgaria EOOD[1]	100%	n.a.
Canada	Toronto, ON	Adecco Employment Services Limited	100%	100%
Croatia	Zagreb	Adecco d.o.o. za privremeno zaposljavanje	100%	100%
Croatia	Zagreb	Adecco Hrvatska d.o.o.	100%	100%
Croatia	Zagreb	Adecco Outsourcing d.o.o.	100%	100%
Czech Republic	Prague	Adecco EMEA Business Solutions S.R.O.[1]	100%	n.a.
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	Lee Hecht Harrison Pty Limited	100%	100%
Hungary	Budapest	Adecco Szemelyzeti Kozvetito Kft	100%	100%
India	Bangalore	Adecco India Private Limited	1%	1%
Japan	Tokyo	Adecco Ltd	100%	100%
Luxembourg	Bertrange	Adecco Luxembourg SA	100%	100%
Luxembourg	Luxembourg	Ajilon Luxembourg SA	100%	100%
Luxembourg	Luxembourg	Alexandre Tic (Luxembourg) SA	100%	100%
Malaysia	Kuala Lumpur	Spring Professional (Malaysia) Sdn. Bhd.	49%	49%
Malaysia	Kuala Lumpur	Adecco Asia Business Solutions Sdn. Bhd.	100%	100%
Mexico	México, D.F.	Adecco Latam Business Solutions S.A. de C.V.[1]	100%	n.a.
Netherlands	Utrecht	Adecco International Financial Services BV	100%	100%
New Zealand	Auckland	Adecco New Zealand Ltd	100%	100%
Norway	Oslo	Olsten Norway AS	100%	100%
Poland	Warsaw	Adecco Poland Sp. z o.o.	100%	100%
Portugal	Lisbon	Adecco Recursos Humanos	100%	100%
Puerto Rico	Manati	Adecco Personnel Services Inc.	100%	100%
Romania	Bucharest	Adecco Resurse Umane SRL	99%	99%
Romania	Bucharest	Adecco Romania SRL	100%	100%

Notes to financial statements continued

in millions, except share and per share information

Country	Registered office	Name of legal entity	2018 Ownership & voting power	2017 Ownership & voting power
Serbia	Belgrade	Adecco Outsourcing d.o.o. Beograd	100%	100%
Singapore	Singapore	Adecco Group Apac Pte Ltd[4]	100%	100%
Singapore	Singapore	Lee Hecht Harrison Pte Ltd	100%	100%
Slovakia	Bratislava	Adecco Slovakia, s.r.o	100%	100%
Slovenia	Ljublijana	Adecco H.R. d.o.o	100%	100%
South Korea	Seoul	Adecco Korea Co. Ltd.	100%	100%
Spain	Madrid	Adecco Iberia SA	100%	100%
Sweden	Stockholm	Adecco Sweden AB	100%	100%
Switzerland	Lausanne	Adecco Ressources Humaines S.A.	100%	100%
Switzerland	Geneva	Lee Hecht Harrison Sàrl	100%	100%
Switzerland	Lucerne	Adecco Germany Holding Management S.A.	100%	100%
Switzerland	Lucerne	Adecco Invest S.A.	100%	100%
Switzerland	Opfikon	Just in time staffing AG	100%	100%
Switzerland	Zug	Adecco Group X AG	100%	100%
Switzerland	Zug	Adecco International AG[1]	100%	n.a.
Thailand	Bangkok	Adecco Bangna Limited[4]	20%	20%
Thailand	Bangkok	Adecco Consulting Limited	49%	49%
Thailand	Bangkok	Adecco Eastern Seaboard Recruitment Limited	10%	10%
Thailand	Bangkok	Adecco Recruitment (Thailand) Limited	49%	25%
Thailand	Bangkok	Adecco New Petchburi Limited[4]	49%	49%
Thailand	Bangkok	Adecco Phaholyothin Recruitment Limited	9%	9%
Thailand	Bangkok	Adecco Praram 4 Recruitment Limited	49%	49%
Thailand	Bangkok	Spring Professional Recruitment (Thailand) Limited	50%	50%
Turkey	Istanbul	Adecco Hizmet ve Danismanlik AS	0%	0%
USA	Wilmington, DE	Adecco, Inc	100%	100%
USA	San Francisco, CA	Mya Systems, Inc	4%	4%
USA	Chicago, IL	Talent Rover LLC[3]	5%	0%
USA	Wilmington, DE	Talentoday, Inc[2]	0%	23%
Vietnam	Ho Chi Minh City	CÔNG TY CỔ PHẦN ADECCO VIỆT NAM	100%	100%

1 New company in 2018.

2 Sold in 2018.

3 Acquired in 2018.

4 Name change in 2018.

All significant indirect investments 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 2018 and CHF 1 as of 31 December 2017.

Note 4 – Long-term interest-bearing debt

The long-term debt issued by Adecco Group AG as of 31 December 2018 and 31 December 2017 consists of the following:

in CHF	Principal at maturity	Maturity	Fixed interest rate	31.12.2018	31.12.2017
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	125	125
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	100	
Total long-term debt				**225**	**125**
Less current maturities					
Long-term debt, less current maturities				**225**	**125**

8-year Swiss Franc fixed rate notes due 2020

On 18 July 2012, Adecco Group AG issued CHF 125 fixed rate notes with a coupon of 2.625% due on 18 December 2020. 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.

8-year Swiss Franc fixed rate notes due 2026

On 18 September 2018, Adecco Group AG issued CHF 100 fixed rate notes with a coupon of 0.875% due on 18 September 2026, 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 SIX Swiss Exchange. The proceeds were primarily used for general corporate purposes.

Note 5 – Lease commitments

Adecco Group AG has total lease commitments of CHF 8 as of 31 December 2018 of which CHF 2 are due within the next 12 months and CHF 6 are due after 12 months. Adecco Group AG had total lease commitments of CHF 8 as of 31 December 2017 of which CHF 2 were due within 2018 and CHF 6 afterwards.

Note 6 – Contingent liabilities

The contingent liabilities including guarantees and letters of comfort amount to CHF 2,423 as of 31 December 2018 and to CHF 2,818 as of 31 December 2017.

Adecco Group AG has irrevocably and unconditionally guaranteed the 2033 notes of CHF 54 (JPY 6,000) and accrued interest of less than CHF 1, issued by Adecco Financial Services (North America), LLC, a wholly owned subsidiary of Adecco Group AG.

Adecco Group AG has irrevocably and unconditionally guaranteed the 2024 notes of CHF 563 (EUR 500) and accrued interest of less than CHF 1, the 2022 notes of CHF 563 (EUR 500) and accrued interest of CHF 1, the 2021 notes of CHF 294 (USD 300) and accrued interest of CHF 1, the 2019 notes of CHF 241 (originally EUR 400 and EUR 214 after bond buyback) and accrued interest of CHF 2, issued by Adecco International Financial Services BV, a wholly owned subsidiary of Adecco Group AG.

Approximately CHF 597 of the credit facilities issued to several subsidiaries in Europe, North America, South America, Asia, and Australia have been guaranteed for operational needs.

Additionally, Adecco Group AG has provided guarantees and letters of comfort amounting to CHF 92 relating to government requirements for operating a temporary staffing business and for operating leases of its subsidiaries mainly in the USA.

Adecco Group AG is jointly and severally liable for the liabilities of the Swiss VAT group.

Notes to financial statements continued

in millions, except share and per share information

Note 7 – Shareholders' equity

Statutory reserves from capital contribution and voluntary retained earnings

Pursuant to Swiss tax legislation, the statutory reserves from capital contribution amounted to CHF 2 and CHF 2 as of 31 December 2018 and as of 31 December 2017, respectively.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 19 April 2018 (2018 AGM), the shareholders approved a dividend of CHF 2.50 per share outstanding in respect of the fiscal year 2017. The dividend of CHF 414 (EUR 353) was directly distributed to shareholders from voluntary retained earnings in April 2018.

For 2018, the Board of Directors of Adecco Group AG will propose a dividend of CHF 2.50 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be directly distributed from voluntary retained earnings to shareholders.

Conditional capital

As of 31 December 2018, Adecco Group AG had conditional capital under Art. 3^{quater} of the Articles of Incorporation of Adecco Group AG of 15,400,000 shares, for a maximum aggregate amount of CHF 1.5 for issue of a maximum of 15,400,000 registered shares, which shall be fully paid by the exercise of option and conversion rights to be granted in relation to bond issues or other obligations of Adecco Group AG or affiliated companies. The shares represent conditional capital authorised without time limitation and remain available for issuance upon conversion of any financial instruments that Adecco Group AG or its subsidiaries may issue in the future.

As approved by the shareholders at the 2017 Annual General Meeting (2017 AGM), the 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options were cancelled on 18 July 2017.

Authorised capital

As of 31 December 2018 and 31 December 2017, the Board of Directors are authorised, until 30 April 2019, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,557,809 shares with a nominal value of CHF 0.10 per share, as approved by the shareholders at the 2017 AGM.

Note 8 – Treasury shares

As of 31 December 2018 and 31 December 2017 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 2017	**48**	**809,383**	
Purchases	43	597,279	72
Purchased over second trading line (share buyback)	309	4,201,500	74
Nominal amount reduction of CHF 0.90 on treasury shares	(2)		
Utilisation for stock-based compensation settlement	(18)	(288,309)	63
31 December 2017	**380**	**5,319,853**	
Purchases	6	84,423	69
Purchased over second trading line (share buyback)	129	2,451,760	53
Share cancellation	(338)	(4,580,260)	74
Utilisation for stock-based compensation settlement	(17)	(263,307)	66
31 December 2018	**160**	**3,012,469**	

In 2018 and 2017, the number of treasury shares acquired by Adecco Group AG on the regular trading line amounted to 84,432 and 597,279, respectively. The highest and lowest price per share paid for the shares acquired in 2018 amounted to CHF 70 and CHF 69, respectively, and for the shares acquired in 2017 CHF 75 and CHF 69, respectively.

In 2018 and 2017, Adecco Group AG awarded 25,960 and 19,684 treasury shares, respectively, to the Board of Directors as part of their remuneration package (refer to section 5.1 "Board of Directors' remuneration and shareholding" in the Remuneration Report). In addition, in 2018 and 2017, 237,347 treasury shares and 268,625 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

As of 31 December 2018, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Company's long-term incentive plan (for further details refer to Note 10 of the Adecco Group consolidated financial statements) as well as for the Board of Directors' remuneration.

Adecco Group AG launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 300 announced in March 2017 (completed in March 2018).
- EUR 150 announced in March 2018.

As of 31 December 2018 and 31 December 2017, Adecco Group AG held 2,073,000 and 4,201,500 shares, respectively, acquired under the share buyback programmes. Adecco Group AG acquired 2,451,760 shares for CHF 129 (EUR 113) in 2018, and 4,201,500 shares for CHF 309 (EUR 275) in 2017 under the share buyback programmes. The highest and lowest price per share paid under the share buyback programmes in 2018 amounted to CHF 80 and CHF 45, respectively, and in 2017 CHF 79 and CHF 68, respectively.

At the 2018 AGM, the shareholders approved the cancellation of 4,580,260 treasury shares acquired under the share buyback programme and the corresponding reduction of the Adecco Group AG's share capital by 4,580,260 registered shares with a nominal value of CHF 0.10 each. The cancellation of 4,580,260 treasury shares was completed on 4 July 2018. Effective 4 July 2018 the share capital of the Company amounts to CHF 17 divided into 166,575,927 shares.

The Board of Directors of Adecco Group AG will propose to the Annual General Meeting of Shareholders of 16 April 2019 a reduction of share capital through the cancellation of 3,231,750 shares repurchased under the EUR 150 share buyback programme consisting of 2,073,000 shares repurchased as of 31 December 2018 and 1,158,750 shares acquired from 1 January 2019 to 8 February 2019.

Notes to financial statements continued

in millions, except share and per share information

Note 9 – Significant shareholders

Adecco Group AG has only registered shares. Not all shareholders register with Adecco Group AG's share register.

On 31 December 2018, Group BlackRock Inc.'s shareholding in Adecco Group AG remained above 5%. Group BlackRock Inc. held 8,636,617 shares as of 31 December 2018.

Silchester International Investors LLP's shareholding in Adecco Group AG rose above 5%. Silchester International Investors LLP held 8,357,552 shares as of 25 October 2018.

For further detailed information, refer to the links listed under item 1.2 "Significant shareholders" of the Corporate Governance Report.

Note 10 – Board of Directors and Executive Committee shareholdings

Board of Directors' shareholdings

Name and function	Shareholding as of 31 December 2018[1]	Shareholding as of 31 December 2017[1]
Rolf Dörig, Chair	81,351	72,284
Kathleen Taylor, Vice-Chair	7,296	4,574
Jean-Christophe Deslarzes	7,102	4,504
Ariane Gorin	3,072	1,008
Alexander Gut	24,112	21,390
Didier Lamouche	7,279	5,464
David Prince	16,005	13,034
Regula Wallimann[2]	1,444	
Wanda Rapaczynski[3]		15,890
Total	**147,661**	**138,148**

1 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each.

2 Member of the Board of Directors since 19 April 2018.

3 Member of the Board of Directors until 19 April 2018.

Executive Committee's shareholdings

Name	Position	Shareholding as of 31 December 2018[1]	Shareholding as of 31 December 2017[1]
Alain Dehaze	Chief Executive Officer	43,169	34,561
Hans Ploos van Amstel	Chief Financial Officer	5,000	5,000
Christophe Catoir	Regional Head of France	8,101	8,101
John L. Marshall III	Regional Head of North America, UK & Ireland Professional Staffing	7,650	6,791
Mark De Smedt	Regional Head of Northern Europe	10,000	6,221
Sergio Picarelli	Regional Head of North America, UK & Ireland Professional Staffing & global oversight of Lee Hecht Harrison, General Assembly, Badenoch+Clark, Spring Professional & Pontoon	19,629	13,050
Enrique Sanchez	Regional Head of Iberia, Italy, Eastern Europe & MENA[2]	14,500	12,887
Federico Vione	Regional Head of North America, UK & Ireland General Staffing, Latin America	14,084	11,058
Stephan Howeg	Chief Marketing & Communication Officer	8,181	7,742
Ian Lee[3]	Regional Head of Asia Pacific		
Rob James[3]	Chief Information Officer	856	
Franz-Josef Schürmann[4]	Chief Sales and Innovation Officer (until 31 August 2018)		100
Shanti Flynn[4]	Chief Human Resources Officer (until 30 April 2018)		5,000
Christophe Duchatellier[5]			14,645
Total		**131,170**	**125,156**

1 Indicating the number of registered shares held, with a nominal value of CHF 0.10 each.

2 Middle East and North Africa.

3 Appointed as EC member as of January 2018.

4 Ceased to be a member of the EC in 2018.

5 Until 31 December 2017.

The members of the Board of Directors and of the Executive Committee are required to disclose to Adecco Group AG direct or indirect purchases and sales of equity-related securities of Adecco Group AG in accordance with the requirements of the SIX Swiss Exchange.

Note 11 – Granted participation rights

In 2018, Adecco Group AG has granted to the Executive Committee members employed by Adecco Group AG 205,475 treasury shares for CHF 4 and to other employees employed by Adecco Group AG 50,138 treasury shares for CHF 3 under the Adecco Group long-term incentive plan. In 2017, Adecco Group AG has granted to the Executive Committee members employed by Adecco Group AG 120,099 treasury shares for CHF 3 and to other employees employed by Adecco Group AG 28,969 treasury shares for CHF 2 under the Adecco Group long-term incentive plan. For the total number of shares granted in 2018 and in 2017 under the Adecco Group long-term incentive plan refer to Note 10 of the Adecco Group consolidated financial statements.

Note 12 – Financial income/(expenses), net

Financial income/(expenses), net

	2018	2017
Foreign exchange gain	123	20
Foreign exchange loss	(74)	(35)
Gain/(loss) from group hedging	(67)	5
Total	**(18)**	**(10)**

Major consolidated subsidiaries of The Adecco Group

Country	Registered office	Name of legal entity	Ownership[1]	Type[2]	Currency of share capital	Share capital in thousands
Argentina	Buenos Aires	Adecco Argentina S.A.[4]	100%	O	ARS	44,526
Australia	Melbourne	Adecco Australia Pty Ltd	100%	O	AUD	200
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
France	Villeurbanne	Adecco Holding France[4]	100%	H	EUR	602,503
France	Villeurbanne	Adecco France	100%	O	EUR	89,472
France	Villeurbanne	Adecco Medical	100%	O	EUR	6,925
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	Modis GmbH	100%	O	EUR	540
India	Bangalore	Adecco India Private Limited[4]	100%	O	INR	23,806
Italy	Milan	Adecco Italia S.p.A.	100%	O	EUR	2,976
Japan	Tokyo	Adecco Ltd[4]	100%	O	JPY	5,562,863
Japan	Tokyo	VSN, Inc.	100%	O	JPY	1,063,772
Mexico	Mexico City	Ecco Servicios de Personal SA de CV	100%	H/O	MXN	101,854
Netherlands	Utrecht	Adecco International Financial Services BV[4]	100%	F	EUR	2,500
Netherlands	Utrecht	Adecco Holding Europe BV	100%	H	EUR	18,807
Netherlands	Utrecht	Adecco Personeelsdiensten BV	100%	O	EUR	259
Netherlands	Utrecht	Adecco Personeelsdiensten Logistiek BV	100%	O	EUR	2
Netherlands	Utrecht	Adecco Detachering BV	100%	O	EUR	18
Norway	Oslo	Adecco Norge AS	100%	O	NOK	51,000
Poland	Warsaw	Adecco Poland Sp. z o.o.[4]	100%	O	PLN	50
Spain	Madrid	Adecco TT SA Empresa de Trabajo Temporal	100%	O	EUR	1,759
Spain	Madrid	Atlas Servicios Empresariales SA	100%	O	EUR	60
Spain	Madrid	Adecco Outsourcing SA	100%	O	EUR	6,010
Sweden	Stockholm	Adecco Sweden AB[4]	100%	O	SEK	3,038
Switzerland	Lucerne	Adecco Invest S.A.[4]	100%	H	CHF	100
Switzerland	Lausanne	Adecco Ressources Humaines S.A.[4]	100%	O	CHF	7,000
United Kingdom	London	Spring Technology Staffing Services Limited	100%	O	GBP	18,831
United Kingdom	London	Adecco UK Limited	100%	O	GBP	99,600
United Kingdom	London	Olsten (U.K.) Holdings Ltd	100%	H	GBP	9,213
United Kingdom	London	Badenoch and Clark Limited	100%	O	GBP	4
United Kingdom	London	Pontoon Europe Limited	100%	O	GBP	2,574
United States	Wilmington, DE	Adecco Financial Services (North America)	100%	S	USD	n.a.
United States	Wilmington, DE	Adecco, Inc[4]	100%	H	USD	1
United States	Wilmington, DE	Adecco USA, Inc	100%	O	USD	<1
United States	Burlington, MA	Entegee, Inc.	100%	O	USD	4,534
United States	Plantation, FL	Modis E & T LLC[3]	100%	S	USD	n.a.
United States	Jacksonville, FL	Accounting Principals, Inc.	100%	O	USD	161
United States	Wilmington, DE	Lee Hecht Harrison LLC[3]	100%	O	USD	n.a.
United States	Jacksonville, FL	Modis, Inc.	100%	O	USD	12,612
United States	Atlanta, GA	Soliant Health, Inc.	100%	O	USD	11
United States	Baltimore, MD	Special Counsel, Inc.	100%	O	USD	18
United States	Wilmington, DE	General Assembly Space, Inc.	100%	S	USD	<1

1 Voting rights equal to ownership. Voting rights and ownership refer to the Adecco Group.

2 H – Holding; O – Operating; F – Financial; S – Services.

3 Subsidiary is registered as a Limited Liability Company (LLC). No shares have been issued as LLCs have membership interests rather than shares.

4 Adecco Group AG direct investment.

Proposed appropriation of shareholders' equity

in millions, except share and per share information

in CHF	2018	2017
Voluntary retained earnings		
Voluntary retained earnings of previous years	3,109	3,119
Net income/(loss)	761	404
Share cancellation	(338)	
Total available voluntary retained earnings	**3,532**	**3,523**
Dividend distribution of CHF 2.50 per share for 2017		(414)
Proposed dividend distribution of CHF 2.50 per share for 2018	(409)[1]	
Total voluntary retained earnings to be carried forward	**3,123**	**3,109**

in CHF	2018	2017
Share capital		
Share capital from previous years	17	17
Share cancellation	0[2]	
Share capital, end of year	**17**	**17**

1 This represents the amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) of 163,563,458 as of 31 December 2018.

2 The total impact of the share cancellation is below half a million CHF.

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS TO THE GENERAL MEETING OF ADECCO GROUP AG, ZÜRICH

As statutory auditor, we have audited the financial statements of Adecco Group AG, which comprise the balance sheets, statements of operations and notes (pages 148 to 159), for the year ended 31 December 2018.

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 2018 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 judgment, 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 represented 80% of Adecco Group AG's total assets and 257% of Adecco Group AG's total shareholders' equity as of 31 December 2018. Adecco Group AG performed an annual recoverability test of all significant investments in the fourth quarter of 2018. In determining the fair value of the investments, Adecco Group AG 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. Refer to Note 2 of Adecco Group AG's financial statements for the company's disclosures on investments in subsidiaries.
Our audit response	We assessed the Company's internal controls over its annual recoverability test and key assumptions applied. We involved valuation specialists to assist in examining the Company's valuation model and analyzing the underlying key assumptions, including future revenues and margins, multiples, long-term growth and discount rates. We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the key assumptions applied and compared these assumptions to corroborating information, including industry reports, economic outlooks, analyst reports and data from competitors. Our audit procedures did not lead to any reservations concerning the recoverability of investments in subsidiaries.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

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

Zürich, Switzerland
13 March 2019

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 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.

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-recurring charges.

Conversion ratio

EBITA as a percentage of gross profit. Management believes that the conversion ratio is important supplemental information because this ratio displays the efficiency with which gross profit is converted to EBITA. The Company uses this metric to manage productivity and profitability.

Free cash flow (FCF)

Free cash flow (FCF) comprises cash flow from operating activities less capital expenditures. Management believes that FCF is important supplemental information because it represents the cash generated by the Company after the investments in assets necessary to support existing business activities and to pursue internal growth opportunities.

Cash conversion

Cash conversion is calculated as free cash flow before interest and tax paid (FCFBIT) divided by EBITA excluding one-offs. Management believes that cash conversion is important supplemental information because this represents how much underlying operating profit is converted into cash flows of the Company before the impact of interest and taxes paid.

Days sales outstanding (DSO)

Accounts receivable turnover. Management believes that DSO is important information as it represents the average time taken to collect accounts receivable.

Net debt

Net debt comprises short-term and long-term debt less cash and cash equivalents and short-term investments. Management believes that net debt is important supplemental information because this is one metric the Company uses to monitor outstanding debt obligations.

Net debt to EBITDA excluding one-offs

Management believes that net debt to EBITDA excluding one-offs is important supplemental information because it is one metric the Company uses to monitor its ability to meet outstanding debt obligations.

Dividend pay-out ratio

Dividend pay-out ratio refers to the percentage of adjusted net earnings per share paid to shareholders in dividends. Management believes that dividend pay-out ratio is important supplemental information because it represents the percentage of the Company's annual profits being paid out to shareholders in the form of an ordinary dividend.

History

The evolution of the Adecco Group is characterised by productive acquisitions, organic growth, industry innovation, and global expansion, creating a story spanning over 60 years. In 1996, the founding companies Adia and Ecco merged to form the global leader in the staffing industry.

1957

Adia SA is founded in Lausanne, Switzerland, by Henri-Ferdinand Lavanchy. The firm grows rapidly in its home country before expanding abroad.

1964

Philippe Foriel-Destezet founds Ecco in Lyon. By the early 1980s, Ecco is the largest supplier of temporary personnel in France.

1961–1980

In the 1960s, Adia opens offices in various European countries and then in 1972 takes a first step overseas, with a branch in Menlo Park, California. In 1974, Lavanchy recruits Martin O. Pestalozzi and a phase of expansion by acquisitions begins. In the next 12 years, Adia buys over 85 companies, tripling in size and gaining footholds in more than a dozen countries. These include France (1975) and the UK (1977), where it buys the market leader: Alfred Marks Bureau Ltd.

Early 1980s

Adia continues to expand overseas, including Australia, New Zealand, Japan, Hong Kong, and Canada. Meanwhile, Ecco is focusing on its home market. By the mid-1980s, it is the market leader in France and a decade later world no. 2. The growth of both companies is part of a wider trend: temporary staffing becomes the world's third-fastest-growing industry in the 1980s.

Late 1980s

Revenues topping USD 1 billion in 1986 make Adia the European leader. Its success is partly down to a focus on quality and high-value services. The 1990s see a growing trend towards specialised skills, e.g. accounting and word-processing, including in-house training programmes.

1990s

Further acquisitions from the late 1980s onwards strengthen the presence in highly skilled, specialised fields. Also, moves are made into socially related programmes for mature workers in the USA, promoting the benefits of temporary work for retirees and the value for companies of tapping into their experience, skills, and dedication. In 1991, recognising the importance of the industry's role in job creation and its growth potential, Klaus J. Jacobs invests in Adia on the way to becoming its majority shareholder.

1996

Adia and Ecco merge to form the Adecco Group. Two of the world's top three personnel services firms, with complementary geographical profiles, merge to form a strong global leader with annualised revenues of over EUR 5.4 billion. Operations are combined to form a global network of 2,500 branches. The new company has an exceptional range and quality of services. The core staffing business places around 250,000 people in work each day.

1997–2000

The 1997 acquisition of TAD Resources International strengthens the Adecco Group's technical and IT staffing business in the USA. In 2000, the Adecco Group acquires the IT and general staffing business of the Olsten Corporation to become the no. 1 staffing services business in the USA and worldwide leader in the IT sector. The merged companies' revenues reach over EUR 11.6 billion, reflecting organic growth and successful acquisitions. Partnerships with Monster.com and Jobs.com mark the Adecco Group's intent to be at the forefront of harnessing the web in the recruitment process.

2002

To keep at the forefront of the trend towards increasing demand for professional and expert services, The Adecco Group consolidates its business under three operating divisions: Adecco Staffing; Ajilon Staffing/Managed Services; and Career Services/e-Business. Legislative change in Germany creates a more favourable environment for the growth of temporary staffing, reflecting greater acceptance of the industry's positive role in generating employment and economic growth.

2004

The acquisition of PeopleOne Consulting in India signals the Adecco Group's commitment to play a leading role in the industry's development in the emerging markets. As a result of the delay in the audit of the 2003 financial statements in early 2004, the Adecco Group strengthens its financial reporting and governance structure.

2005–2006

In 2005, Klaus J. Jacobs assumes the Chairman and CEO roles, initiating a strategy review. The Adecco Group's focus on professional staffing services intensifies. To create a strong platform for growth, the Group's existing operations are realigned into global business lines defined by specific occupational fields, complementing the established office and industrial offering with professional staffing lines.

Acquisitions of Altedia and HumanGroup strengthen the Adecco Group's involvement in professional segments in Europe. In 2006, the acquisition of DIS AG in Germany gives the Adecco Group leadership in the German professional staffing industry. Dieter Scheiff is appointed Chief Executive Officer. The Adecco Group adopts a dual strategy focused on professional and general staffing.

2007

Jürgen Dormann is appointed Chairman of the Board. As planned, Klaus J. Jacobs hands back his mandate. The Adecco Group acquires Tuja Group, an industry leader in Germany, one of the world's fastest-growing temporary staffing markets.

2008

The Adecco Group acquires the professional staffing businesses DNC in the Netherlands and IT specialist Group Datavance in France. Country operations take greater responsibility for growing professional business as the dual professional and general staffing model becomes further embedded.

Klaus J. Jacobs, co-founder and Honorary President of the Adecco Group, passes away.

2009

Rolf Dörig is appointed Chairman of the Board. Patrick De Maeseneire becomes Chief Executive Officer. The Adecco Group acquires Spring Group in the UK, bolstering the Adecco Group's UK professional and general staffing business.

2010

The acquisition of MPS Group, a leading professional staffing firm based in the USA, is completed. With MPS' strength in North America and the UK, the Adecco Group also becomes the world leader in professional staffing.

The Adecco Group sets up a joint venture in Shanghai with leading Chinese HR services company Fesco. FESCO Adecco begins operations on 1 January 2011, with over 100,000 associates and a well-established local and multinational client base.

2011

The Adecco Group acquires US-based Drake Beam Morin Inc., taking the worldwide lead in career transition and talent development services.

2012

The Adecco Group acquires VSN Inc., a leading provider of professional staffing services in Japan. The acquisition expands the professional staffing exposure in the world's second-largest staffing market.

Henri-Ferdinand Lavanchy, the founder of Adia, passes away.

2014

The Adecco Group acquires OnForce to expand its Beeline service offering, creating a unique integrated solution for managing contingent workforces.

The Jacobs Group sells the vast majority of its 18% stake in the Adecco Group.

2015

Alain Dehaze is appointed Chief Executive Officer. The Adecco Group announces a new composition of the Executive Committee. The Adecco Group acquires Knightsbridge Human Capital Solutions, the market leader of career transition, talent and leadership development, and recruitment services in Canada.

2016

The Adecco Group acquires Penna Consulting Plc, the UK market leader in career transition, talent and leadership development and recruitment services as well as D4, LLC, a leader in eDiscovery litigation support.

The Adecco Group deconsolidates Beeline upon its merger with IQNavigator, which brings together two of the world's leading providers of Vendor Management Systems.

2017

The Adecco Group partners with Infosys to launch Adia, a 'recruitment-on-demand' platform for temporary staffing. In response to the growing gig economy, the Adecco Group launches comprehensive freelancer platform YOSS, in collaboration with Microsoft. The Adecco Group also partners with Mya Systems to utilise artificial intelligence chatbot technology in the recruitment process. The Adecco Group acquires Mullin International, strengthening its career transition services, and BioBridges, enhancing its position in life sciences professional recruitment.

2018

The Adecco Group acquires Vettery, a US-based talent recruitment platform, built to connect top employers with tech, sales and finance talent. In addition, the Adecco Group acquires General Assembly, a pioneer in education and career transformation, focusing on in-demand digital skills. With General Assembly the Adecco Group broadens its portfolio of brands and services, creating a 360-degree ecosystem and the most comprehensive offering in the HR solutions industry.

Key figures

In EUR millions unless stated	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues	**23,867**	23,660	22,708	22,010	20,000	19,503	20,536	20,545	18,656	14,797
Gross profit	**4,433**	4,346	4,276	4,179	3,703	3,560	3,674	3,566	3,329	2,649
EBITA excluding one-offs[5]	**1,080**	1,158	1,134	1,152	966	857	817	833	754	403
EBITA[5]	**987**	1,151	1,098	1,086	929	824	729	813	721	300
Net income attributable to Adecco Group shareholders	**458**	788	723	8	638	557	377	519	423	8
Basic EPS (EUR)	**2.77**	4.67	4.24	0.05	3.62	3.09	2.00	2.72	2.20	0.04
Diluted EPS (EUR)	**2.77**	4.66	4.24	0.05	3.61	3.08	2.00	2.72	2.17	0.04
Dividend per share (CHF)	**2.50[1]**	2.50	2.40	2.40	2.10	2.00	1.80	1.80	1.10	0.75
EBITDA excluding one-offs[5]	**1,166**	1,235	1,219	1,246	1,058	958	920	926	841	484
EBITDA[5]	**1,073**	1,228	1,183	1,180	1,021	925	832	906	808	381
Cash flow from operating activities[6]	**727**	737	694	797	771	531	565	538	449	473
Free cash flow before interest and tax paid[6]	**903**	939	941	993	999	695	799	665	537	499
Free cash flow[6]	**569**	637	618	700	691	450	477	429	344	381
Net debt	**1,124**	994	887	1,039	971	1,091	967	889	748	107
Shareholders' equity	**3,589**	3,582	3,722	3,346	3,839	3,557	3,699	3,811	3,567	3,114
Organic revenue growth	**3%**	6%	4%	4%	4%	-1%	-4%	10%	12%	-27%
Gross margin	**18.6%**	18.4%	18.8%	19.0%	18.5%	18.3%	17.9%	17.4%	17.8%	17.9%
SG&A as % of revenues	**14.4%**	13.5%	14.0%	14.1%	13.9%	14.0%	14.4%	13.4%	14.0%	15.9%
EBITA margin excluding one-offs[5]	**4.5%**	4.9%	5.0%	5.2%	4.8%	4.4%	4.0%	4.1%	4.0%	2.7%
EBITA margin[5]	**4.1%**	4.9%	4.8%	4.9%	4.6%	4.2%	3.5%	4.0%	3.9%	2.0%
Dividend pay-out ratio	**48%**	46%	50%	45%	49%	47%	49%	45%	30%	30%
Average number of FTE employees	**34,774**	33,787	33,391	32,266	31,576	31,329	32,987	32,826	31,279	29,835
Days sales outstanding	**53**	52	52	52	53	54	54	55	54	53
Cash conversion[5,6]	**84%**	81%	83%	86%	103%	81%	98%	80%	71%	124%
Net debt/EBITDA excluding one-offs[5]	**1.0x**	0.8x	0.7x	0.8x	0.9x	1.1x	1.1x	1.0x	0.9x	0.2x
Basic weighted-average shares (millions)	**165.4**	168.7	170.3	172.5	176.3	180.5	188.4	190.7	192.1	177.6
Diluted weighted-average shares (millions)	**165.7**	169.1	170.5	172.7	176.6	180.8	188.6	190.8	195.6	177.6
Shares outstanding at year end (millions)	**163.6**	165.8	170.3	170.3	173.4	178.1	184.6	170.4	174.7	174.1
In CHF, at year end:										
Share price	**45.93**	74.55	66.65	68.90	68.85	70.60	48.04	39.35	61.25	57.05
Market capitalisation (millions)[2]	**7,651**	12,760	11,408	12,021	12,330	13,362	9,092	7,448	11,592	10,797
Enterprise value (millions)[3,4]	**8,916**	13,923	12,357	13,154	13,495	14,704	10,262	8,515	12,527	10,957
In EUR[4], at year end:										
Share price	**40.81**	63.72	62.29	63.21	57.37	57.40	39.70	32.79	49.00	38.55
Market capitalisation (millions)[2,4]	**6,798**	10,906	10,662	11,028	10,275	10,863	7,514	6,206	9,274	7,296
Enterprise value (millions)[3,4]	**7,922**	11,900	11,549	12,067	11,246	11,954	8,481	7,095	10,022	7,404

1 Proposed by the Board of Directors.

2 Market capitalisation based on issued shares.

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

4 Exchange rates EUR/CHF 2018: 1.13; 2017: 1.17; 2016: 1.07; 2015: 1.09; 2014: 1.20; 2013: 1.23; 2012: 1.21; 2011: 1.20; 2010: 1.25 and 2009: 1.48.

5 Due to adoption of ASU 2017-07 - Presentation of net periodic pension and postretirement benefit cost in 2018, the figures were restated. Components of pension expense other than service cost previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

6 Due to the adoption of ASU 2016-18 - Statement of Cash Flows (Topic 230): Restricted cash in 2018, the figures were restated for changes during the period related to restricted cash.

Addresses

Registered office
Adecco Group AG
Bellerivestrasse 30
CH-8008 Zürich

Contact details
Adecco Group AG
Bellerivestrasse 30
CH-8008 Zürich
T +41 44 878 88 88

The Adecco Group Investor Relations
T +41 44 878 88 88
investor.relations@adeccogroup.com
adeccogroup.com/investors

The Adecco Group Press Office
T +41 44 878 87 87
media@adeccogroup.com

The Adecco Group on the web
adeccogroup.com
facebook.com/theadeccogroup
twitter.com/adeccogroup
plus.google.com/+adeccogroup
Instagram.com/adeccogroup
Youtube.com/user/AdeccoGroup
LinkedIn The Adecco Group

Publisher: The Adecco Group, Zurich

Design: Black Sun Plc, London, Co-Art Direction
Franceso Camillo, Global Head of Art & Design
the Adecco Group

Print: Westerham Premier, London

This report is printed on Revive 100 Silk and Revive 100 Offset paper. Manufactured using pre and post-consumer waste at a mill certified to both ISO 14001 and the Forest Stewardship Council®.

Printed by Principal Colour.

Principal Colour are ISO 14001 certified, Alcohol Free and FSC® Chain of Custody certified.

The inks used are vegetable oil based.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C107262

March 2019