THE ADECCO GROUP

STRONG OPERATIONAL PERFORMANCE IN Q4 2018

Margin improvement in most regions, supported by GrowTogether productivity gains

Q4 2018 summary and highlights

- Revenues up 1% year-on-year organically[1], and down 1% trading days adjusted (TDA), driven by slowdown in Europe
- Continued strong development in permanent placement, revenues up 18% organically
- Gross margin 19.1%; up 120 bps yoy, including positive temp price/mix impact of +30 bps
- EBITA[2] margin excluding one-offs[3] 4.8%, up 20 bps yoy; positive underlying development and favourable non-recurring items offset increased New Ventures investments and impact of German integration and regulation
- Goodwill impairment in Germany (EUR 270 million); non-cash with no impact on dividend policy
- Revenues in January 2019 declined 2% TDA year-on-year, with volumes in February slightly decelerating

FY 2018 summary and highlights

- Revenues up 3% yoy organically and TDA, with deceleration in H2, as growth in Europe slowed
- EBITA margin excluding one-offs 4.5%, down 40 bps yoy; positive impact from GrowTogether partly offsets increased strategic investments, reduction in CICE subsidies and German business transformation
- Net income attributable to Adecco Group shareholders EUR 458 million, impacted by goodwill impairment
- Continued strong cash flow; proposed dividend of CHF 2.50 per share, stable year-on-year
- Strategy and investments on-track: GrowTogether driving improved productivity and Net Promoter Score; New Ventures expand solutions portfolio and create synergies

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"The Group ended the year with a strong performance, despite an increasingly challenging market backdrop in Europe. While revenues declined by 1% (TDA), we outperformed in a number of key regions, including France, US General Staffing and Italy. Underlying profitability also further improved in Q4 2018, building on the positive trend of the prior quarter. Investments in our 'Perform, Transform, Innovate' strategy, which have impacted margins in 2017 and 2018, are now delivering the first financial results, in addition to laying strong foundations for future profitable growth.

In 2018, we Performed: expanding our market share in France and returning to growth in US General Staffing, in-line with 2017 commitments. Pricing programmes also gained traction and we delivered market leading growth in perm. Although Germany impacted the Group performance, we are making changes to strengthen the business.

We also Transformed: the GrowTogether programme is scaling up and driving productivity improvements, which supported improved operating margins in most regions in Q4. As we optimise and digitise internal processes, we reduce costs and also increase client and candidate satisfaction, as evidenced by a five point improvement in NPS in 2018.

And we Innovated: by adding unique businesses to our portolio of New Ventures, including General Assembly (up-/re-skilling) and Vettery (digital permanent placement). Combined with the strengths of our existing brands, we are creating a 360° service offering to support our customers across the whole HR solutions landscape, online and offline.

As the Group continues its digital transformation, our people remain our greatest asset – it is only through their passion and commitment that we succeed as a team. I therefore want to thank every one of our 34,000 colleagues worldwide for their contribution to making the Adecco Group the global #1 in HR solutions."

Alain Dehaze, Group Chief Executive Officer

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[1] Organic growth is a non-US GAAP measure and excludes the impact of currency, acquisitions and divestitures.
[2] EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
[3] In 2018, EBITA included one-offs of EUR 59 million in Q4 2018 and EUR 93 million in FY 2018; in 2017, EBITA included one-offs of EUR 4 million in Q4 2017 and EUR 7 million in FY 2017.

THE ADECCO GROUP

Key figures overview

EUR millions unless stated	Q4 2018	Q4 2017[4]	Change % Reported	Change % Organic	FY 2018	FY 2017[4]	Change % Reported	Change % Organic
Summary of income statement information								
Revenues	**6,127**	6,057	1%	1%[5]	**23,867**	23,660	1%	3%[5]
Gross profit	**1,169**	1,086	8%	5%	**4,433**	4,346	2%	3%
EBITA excluding one-offs	**294**	278	6%	9%	**1,080**	1,158	-7%	-3%
EBITA	**235**	274	-14%	-10%	**987**	1,151	-14%	-10%
Net income/(loss) attributable to Adecco Group shareholders	**(112)**	297	-137%		**458**	788	-42%	
Diluted EPS (EUR)	**(0.68)**	1.78	-138%		**2.77**	4.66	-41%	
Dividend per share[6]					**2.50**	2.50	0%	
Gross margin	**19.1%**	17.9%	120 bps	80 bps	**18.6%**	18.4%	20 bps	10 bps
EBITA margin excluding one-offs	**4.8%**	4.6%	20 bps	40 bps	**4.5%**	4.9%	(40) bps	(20) bps
EBITA margin	**3.8%**	4.5%	(70) bps	(40) bps	**4.1%**	4.9%	(80) bps	(60) bps
Summary of cash flow and net debt information								
Free cash flow[7] before interest and tax paid (FCFBIT)	**307**	233			**903**	939		
Free cash flow (FCF)	**197**	165			**569**	637		
Net debt[8]	**1,124**	994			**1,124**	994		
Days sales outstanding	**53**	52			**53**	52		
Cash conversion[9]	**84%**	81%			**84%**	81%		
Net debt to EBITDA[10] excluding one-offs	**1.0x**	0.8x			**1.0x**	0.8x		

[4] 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 0.4 gain in Q4 2017, and a EUR 2 gain in FY 2017, previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net". Additionally, due to the 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.
[5] In Q4 2018, organic revenue grew by 1%, or declined 1% trading days adjusted (TDA). In FY 2018, organic revenue growth was 3% and also 3% TDA.
[6] Dividend per share for 2018 as proposed by the Board of Directors.
[7] Free cash flow is a non-US GAAP measure and comprises cash flows from operating activities less capital expenditures.
[8] 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.
[9] Cash conversion is a non-US GAAP measure and is calculated as last 4 quarters of FCFBIT divided by last 4 quarters of EBITA excluding one-offs.
[10] Net debt to EBITDA is a non-US GAAP measure and is calculated as net debt at period end divided by last 4 quarters of EBITA excluding one-offs plus depreciation.

FY 2018 financial performance

Group performance overview

The Adecco Group delivered a solid underlying performance in 2018, while continuing to invest in its digital transformation. Revenues grew 3% organically and trading days adjusted, with a deceleration through the year as European markets slowed. Gross margin improved organically by 10 bps, supported by strong growth in permanent placement. EBITA margin excluding one-offs was down 40 bps to 4.5%, impacted by increased investments in the Group's strategic initiatives, a reduction in CICE subsidies in France, and the ongoing business transformation in Germany. These headwinds were partly offset by underlying margin improvements, relating to the GrowTogether programme, which increased through the year, in-line with plan. 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, Australia & New Zealand and Latin America all achieved double-digit revenue growth.

Free cash flow of EUR 569 million was lower than in the prior year, due to lower EBITA and increased investments. During the year the Group distributed EUR 350 million in dividends and repurchased shares for a total of EUR 110 million, under the share buyback programme. Acquisitions, divestments, and other investing activities totalled a net outflow of EUR 182 million, including an outflow of EUR 393 million for the acquisitions of Vettery and General Assembly, and an inflow of EUR 226 million relating to the proceeds from disposal of investment in Beeline. Net debt ended the year at EUR 1,124 million, representing a ratio of 1.0x net debt to EBITDA excluding one-offs.

Q4 2018 financial performance

Group performance overview

Revenues in Q4 2018 increased 1% year-on-year organically, and declined by 1% trading days adjusted (TDA), following growth of 2% in Q3 2018. The deceleration across most European markets continued, driven in particular by France, Germany and Italy. Permanent placement remained strong with revenues up 18% organically. Gross margin increased by 120 bps year-on-year, on a reported basis, and was up 80 bps organically. Temporary staffing gross margin was up 70 bps, supported by positive price/mix developments and net favourable non-recurring items. EBITA margin excluding one-offs was up 20 bps year-on-year, to 4.8%. This included an underlying improvement of approximately 45 bps (excluding the impact of investments and the German transformation), supported by GrowTogether programme savings and a more favourable pricing development. DSO was 53 days, up 1 day compared to the prior year and down 1 day versus Q3 2018. Cash from operating activities was EUR 243 million and cash conversion was 84%.

Revenues

Q4 2018 revenues were EUR 6,127 million, an increase of 1% year-on-year on a reported basis. Currency movements had a negligible impact on revenues while M&A had a positive impact of approximately 0.5%. The number of working days had a positive impact of approximately 1.5%. Hence, on an organic and trading days adjusted basis revenues decreased by 1%. Temporary staffing revenues were flat at EUR 5,311 million; permanent placement revenues rose 18% to EUR 140 million; revenues from career transition were EUR 80 million, down 6%; and revenues in outsourcing and other activities grew by 6% compared to the prior year, all on an organic basis. By business line, revenues were flat in General Staffing, up 1% in Professional Staffing, and up 3% in Solutions, all on an organic basis.

Gross Profit

Gross profit was EUR 1,169 million in Q4 2018, up 8% on a reported basis and up 5% organically. Gross margin was 19.1%, up 120 bps compared to Q4 2017. Currency and M&A had a positive impact on gross margin of 10 bps and 30 bps, respectively. Therefore, on an organic basis, the gross margin was up 80 bps, comprising a positive contribution from temporary staffing (+70 bps) and permanent placement (+30 bps), and negative contributions from career transition (-10 bps) and other activities (-10 bps). The 70 bps increase in temporary staffing gross margin included positive contributions from price/mix (+30 bps), bank holiday timing (+10 bps) and movements in social security and other accruals (+60 bps; mainly relating to regulatory changes in France); partly offset by the unfavourable impact from lower CICE subsidies in France (-30 bps).

Selling, General and Administrative Expenses (SG&A)

SG&A excluding one-offs was EUR 875 million, up 8% year-on-year on a reported basis, of which approximately 4% related to M&A (General Assembly and Vettery). On an organic basis, SG&A excluding one-offs increased 4% year-on-year. The organic increase was primarily driven by higher permanent recruitment commissions, strategic investments and non-recurring items. FTE employees were down 1% organically year-on-year, illustrating the good productivity growth in the quarter. Branches were up 2% organically, due to growth in Onsite locations. In Q4 2018, one-offs comprised software impairment of EUR 16 million and restructuring costs of EUR 40 million, primarily relating to the GrowTogether programme and the transformation of the Group's general staffing business in Germany, and acquisition-related costs of EUR 3 million. In Q4 2017, one-offs comprised restructuring costs totalling EUR 2 million and acquisition-related costs of EUR 2 million. Full year 2018 restructuring costs were EUR 67 million; consistent with the planned EUR 200 million total restructuring costs in 2018 and 2019, as specified at the 2017 Capital Markets Day.

EBITA

EBITA was EUR 235 million. EBITA excluding one-offs was EUR 294 million, up 9% organically. EBITA margin excluding one-offs was 4.8%, up 20 bps compared to Q4 2017 on a reported basis. This included a 20bps positive impact from non-recurring items (bank holiday timing +10bps; the net impact of movements in direct cost of services and SG&A accruals +40 bps; lower CICE -30bps), which offset a 20bps negative impact from the business transformation in Germany. Investments in New Ventures had a 25 bps negative margin impact year-on-year. This leaves an underlying improvement of approximately 45 bps year-on-year, supported by GrowTogether productivity savings and the positive temporary staffing price/mix development. On an organic basis, the conversion ratio was 26.5%, up 100 bps year-on-year.

Amortisation of Intangible Assets and Impairment of Goodwill

Amortisation of intangible assets was EUR 16 million compared to EUR 9 million in Q4 2017. In Q4 2018, the Group recognised a goodwill impairment of EUR 270 million, relating to the Germany, Austria, Switzerland reporting segment. The goodwill impairment was driven by the combined impacts of regulatory changes, structural trends in the German economy (particularly in the automotive sector), and a weaker economic growth outlook. The impairment is a non-cash charge and has no impact on the Group's dividend policy.

Operating Income/(Loss)

The operating loss was EUR 51 million, due to the goodwill impairment of EUR 270 million. In Q4 2017, operating income was EUR 265 million.

Interest Expense and Other Income/(Expenses), net

Interest expense was EUR 7 million compared to EUR 14 million in Q4 2017. Other income/(expenses), net was an income of EUR 2 million in Q4 2018, compared to an expense of EUR 7 million in Q4 2017.

Provision for Income Taxes

In Q4 2018, the effective tax rate excluding the impairment of the goodwill, which is not tax deductible, was 26%, and for FY 2018 was 27%. In Q4 2017, the effective tax rate before discrete events was 23%. Discrete events had a 45% positive impact in Q4 2017, primarily due to the revaluation of certain deferred tax positions, as a result of tax law changes in France and the US.

Net Income/(Loss) Attributable to Adecco Group Shareholders and EPS

Net loss attributable to Adecco Group shareholders was EUR 112 million, due to the goodwill impairment, compared to an income of EUR 297 million in Q4 2017. Basic EPS was EUR (0.68) compared to EUR 1.78 in Q4 2017.

Cash Flow and Net Debt

Cash flow from operating activities was EUR 243 million in Q4 2018 compared to EUR 197 million in Q4 2017. DSO was 53 days in Q4 2018, 1 day higher than in Q4 2017. In Q4 2018, capex was EUR 46 million compared to EUR 32 million in the same period in the previous year, with the increase primarily relating to digital and IT infrastructure investments.

For FY 2018, free cash flow before interest and tax paid was EUR 903 million compared to EUR 939 million in FY 2017. The cash conversion ratio was 84% compared to 81% in 2017, helped by reduced working capital outflow, primarily a consequence of lower revenue growth. Net debt was EUR 1,124 million at 31 December 2018, compared to EUR 994 million at 31 December 2017. Net debt to EBITDA excluding one-offs was 1.0x, compared to 0.8x in the prior year, impacted by lower EBITA and a net cash outflow related to acquisitions and divestments. A total of EUR 460 million was returned to shareholders during the year, by means of the ordinary dividend and share buyback.

Q4 2018 segment operating performance

Organic revenue growth, trading days adjusted

	2018				
	Q1	Q2	Q3	Q4	FY
France	10%	8%	5%	-1%	5%
N. America, UK & I. General Staffing	-1%	4%	0%	4%	2%
N. America, UK & I. Professional Staffing	-2%	-2%	-2%	-2%	-2%
Germany, Austria, Switzerland	2%	4%	-2%	-9%	-2%
Benelux and 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%**

Revenues and revenue growth

	Revenues		Variance			% of revenues
EUR millions unless stated	Q4 2018	Q4 2017	Reported	Organic	Organic TDA[10]	Q4 2018
France	1,413	1,401	1%	1%	-1%	23%
N. America, UK & I. General Staffing	848	787	8%	6%	4%	14%
N. America, UK & I. Professional Staffing	867	853	2%	0%	-2%	14%
Germany, Austria, Switzerland	521	551	-5%	-6%	-9%	9%
Benelux and Nordics	516	548	-6%	-6%	-6%	8%
Italy	515	503	2%	2%	1%	8%
Japan	341	309	10%	6%	6%	6%
Iberia	286	289	-1%	-1%	-4%	5%
Rest of World	696	718	-3%	3%	1%	11%
Career Transition & Talent Development	124	98	25%	-1%	-1%	2%
Adecco Group	**6,127**	**6,057**	**1%**	**1%**	**-1%**	100%

[10] TDA = trading days adjusted

EBITA and EBITA margin excluding one-offs

	EBITA excluding one-offs		EBITA margin excluding one-offs			% of EBITA[12]
EUR millions unless stated	Q4 2018[13]	Q4 2017[4]	Q4 2018	Q4 2017	Variance	Q4 2018
France	105	87	7.4%	6.3%	110 bps	31%
N. America, UK & I. General Staffing	32	25	3.8%	3.0%	80 bps	9%
N. America, UK & I. Professional Staffing	56	51	6.3%	6.0%	30 bps	17%
Germany, Austria, Switzerland	6	14	1.0%	2.5%	(150) bps	2%
Benelux and Nordics	12	15	2.2%	2.7%	(50) bps	4%
Italy	42	36	8.3%	7.2%	110 bps	12%
Japan	23	18	6.7%	5.9%	80 bps	7%
Iberia	17	17	6.2%	5.8%	40 bps	5%
Rest of World	27	24	4.0%	3.4%	60 bps	8%
Career Transition & Talent Development	16	30	13.1%	31.0%	(1,790) bps	5%
Corporate	(42)	(39)				
Adecco Group	**294**	**278**	**4.8%**	**4.6%**	**20 bps**	100%

[12] % of EBITA excluding one-offs and before Corporate.

[13] In Q4 2018, EBITA included one-offs of EUR 59 million relating to restructuring, acquisition and impairment costs. One-offs included EUR 4 million in France, EUR 1 million in N. America, UK & I. – General Staffing, EUR 2 million in N. America, UK & I. – Professional Staffing, EUR 12 million in Germany, Austria, Switzerland, EUR 9 million in Benelux and Nordics, EUR 1 million in Japan, EUR 3 million in Iberia and EUR 3 million in Rest of World, EUR 3 million in Career Transition & Talent Development and EUR 21 million in Corporate.

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

In France, revenues were EUR 1,413 million, an increase of 1%, or a decline of 1% trading days adjusted. Growth slowed compared to Q3 2018 but continued to outperform the market. Revenues increased by 1% in General Staffing, which accounts for over 90% of revenues, and grew by 3% in Professional Staffing. The slowdown in revenue growth was broad based by industry sector. Permanent placement revenues were up 22%. EBITA excluding one offs was EUR 105 million with a margin of 7.4%, compared to 6.3% in the prior year. The improvement in margin was driven by pricing, business mix, GrowTogether productivity improvements, and the release of social security and training fund accruals, which more than offset the impact of the strategic investments and a reduction in CICE subsidies.

In North America, UK & Ireland General Staffing, revenues were EUR 848 million, an increase of 6%, or 4% trading days adjusted. North America General Staffing, which accounts for approximately 75% of revenues, was up 8%, or 6% trading days adjusted, driven by client wins and strong seasonal demand. UK & Ireland General Staffing represents approximately 25% of revenues and was up 1%, or down 1% trading days adjusted, reflecting generally soft market conditions. Permanent placement revenues were up 12% in North America General Staffing and were flat in UK & Ireland General Staffing. Overall EBITA excluding one offs was EUR 32 million representing an EBITA margin of 3.8%, compared to 3.0% in Q4 2017. The new front-office platform and automated candidate outreach tools, part of the GrowTogether progamme, drove a significant increase in consultant productivity year-on-year. Pricing and mix also favourably impacted the EBITA margin.

In North America, UK & Ireland Professional Staffing, revenues were EUR 867 million, flat or down 2% trading days adjusted. North America Professional Staffing represents approximately 65% of revenues and was down 2%, or 4% trading days adjusted. Good growth in Finance & Legal and Medical & Science was offset by declines in IT and Engineering & Technical. UK & Ireland Professional Staffing represents approximately 35% of revenues and was up 3%, or 2% trading days adjusted, driven by growth in Engineering & Technical. Permanent placement revenues increased by 31% in North America Professional Staffing and by 13% in UK & Ireland Professional Staffing. Overall EBITA excluding one-offs was EUR 56 million with a margin of 6.3%, compared to 6.0% in Q4 2017. GrowTogether productivity improvements and positive price/mix impacts more than offset investments in digital permanent recruitment platform Vettery.

In Germany, Austria, Switzerland, revenues were EUR 521 million, down 6%, or down 9% trading days adjusted. In Germany & Austria, revenues were down 10%, or down 13% trading days adjusted, driven by a further slowdown in the market and the consolidation of the Adecco and Tuja general staffing businesses. Regulatory changes that applied from 1 October 2018, and which limit the maximum duration of assignments, had a greater-than-expected impact on growth and negatively impacted margins. In Switzerland, revenues grew by 8% or by 6% trading days adjusted. For the region, EBITA excluding one offs was EUR 6 million, with an EBITA margin of 1.0%, a year-on-year decrease of 150 bps. The favourable timing of bank holidays was more than offset by higher bench costs and negative operating leverage.

In Benelux and Nordics, revenues were EUR 516 million, down 6%. In the Nordics, revenues were flat with growth in Norway offsetting a decline in Sweden. Revenues in Benelux were down 9%, or down 11% trading days adjusted. Belgium experienced a high-single-digit revenue decline, while the Netherlands declined double-digits, due to softer market conditions and reduced demand at a few large clients. EBITA excluding one-offs was EUR 12 million, with an EBITA margin of 2.2%, compared to 2.7% in Q4 2017. The margin was negatively impacted by client mix and negative operating leverage.

In Italy, revenues were EUR 515 million, up 2%, or up 1% trading days adjusted. Permanent placement revenues increased by 17%. EBITA margin excluding one offs was 8.3%, up 110 bps year-on-year, driven by improvement in the temporary staffing gross margin and the strong growth in permanent placement.

In Japan, revenues were EUR 341 million, up 6%, with good growth in professional staffing and permanent placement. EBITA excluding one-offs was EUR 23 million and the EBITA margin excluding one offs was 6.7%, an increase of 80 bps year-on-year. Positive business mix and improved pricing more than offset ongoing strategic IT investments.

In Iberia, revenues were EUR 286 million, down 1%, or down 4% trading days adjusted. The EBITA margin excluding one offs was up 40 bps year-on-year to 6.2%, driven by positive pricing development and business mix.

In **Rest of World**, revenues were EUR 696 million, up 3%, or 1% trading days adjusted. Revenues grew 13% in Australia & New Zealand, 5% in Latin America and were flat in Eastern Europe & MENA, while declining by 4% in Asia, and by 14% in India, all trading days adjusted. For the region, EBITA excluding one-offs was EUR 27 million with a margin of 4.0%, up 60 bps compared to last year's EBITA margin a result of continued focus on client profitability.

In **Career Transition and Talent Development** (including Lee Hecht Harrison and General Assembly), revenues were down 1%, to EUR 124 million. This reflects the counter-cyclical nature of the Career Transition business and high proportion of revenues coming from North America, where the economy remains strong. EBITA excluding one offs was EUR 16 million representing an EBITA margin of 13.1%, compared to 31.0% in Q4 2017. The EBITA margin was negatively impacted by the consolidation of General Assembly.

Update on operational and strategic initiatives

The Adecco Group continues to make progress on its Perform, Transform, Innovate strategic agenda. Developments in 2018 included:

- **Perform: deploying proven commercial strategies to drive profitable growth**
  The Group continued to implement its core commercial strategies, including Segmentation, Pricing, Client and Candidate Portfolio Management (CCPM), and the PERFORM (lean) methodology. Those countries where the concepts are most well-embedded, such as France, Italy, Japan and Switzerland, were among the top performers in 2018. The Segmentation approach is aligning clients with the most appropriate delivery models, to better serve their needs and increase efficiency, supporting organic growth of 13% in Onsite in 2018. New pricing management tools and policies also allowed the Group to more accurately reflect the added-value and extra work required to source candidates in talent scarce markets. This helped improve the temporary staffing pricing trend, which was stable for the full-year and positive in Q4.

- **Transform: strengthening and future-proofing the Adecco Group's core business**
  With Transform, Adecco Group is leveraging technology across its entire value chain – from sales to recruiting to middle- and back-office processes – to increase efficiency and enhance the client and candidate experience. At the centre of Transform is the GrowTogether programme, which brings together multiple initiatives across the Group. 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. The candidate app in France is now providing the blueprint for other markets. The launch of an advanced CRM platform in the US and UK General Staffing businesses helped drive significant consultant productivity gains, with both countries achieving mid-single-digit growth in organic gross profit per FTE during 2018. GrowTogether delivered the first EUR 50 million of productivity savings in 2018, in-line with target, and was a key contributor to the Adecco Group's five point improvement in Net Promoter Score.

- **Innovate: expanding into adjacent markets to accelerate medium-term growth and margins**
  During 2018, the Group added General Assembly (GA) and Vettery to its portfolio of New Ventures. GA brings unique capabilities in digital skills education, complementing other training businesses, such as VSN in Japan, and further positioning the Adecco Group as a source of talented candidates, not just an intermediary. GA is helping hundreds of clients directly address digital talent shortages, by upskilling and reskilling their workforces to fill persistent talent gaps. Meanwhile, Vettery expands the Group's digital HR platforms into permanent recruitment, and follows the organic development of freelancer marketplace YOSS, in early 2018, and staffing platform Adia, in 2017. Adia is now live in three countries - Switzerland, the UK and the US - with a product that is leading the way in online staffing. The Group has a clear right to win in these new areas, being able to draw on the experience and resources of the traditional businesses to scale faster. While still in an investment phase, each of the New Ventures has the potential to be a meaningful contributor to Group profits in the medium- to long-term.

Changes in Executive Committee

Mark De Smedt, Regional Head of Northern Europe, has decided to leave the Adecco Group at the end of March 2019. The Board of Directors and the Executive Committee would like to thank Mark for the significant contribution he has made to the Adecco Group over more than 15 years of dedicated service and wish him all the best in his future endeavours.

As of 1 April 2019, Christophe Catoir, Regional Head of France, will assume additional regional responsibility for the Northern Europe region, which encompasses the Benelux & Nordics and Germany, Austria, Switzerland reporting segments. Christophe joined the Adecco Group in 1995 and has led its France operations since 2015. He has a proven track record of performance and leadership over more than two decades with the Group. Christophe has achieved strong results in delivering the Group's 'Perform, Transform, Innovate' strategy in France, and with the development of the GrowTogether transformation programme across the Group.

Given the importance of the turnaround in Germany, Alain Dehaze, CEO of the Adecco Group, will be directly involved in the transition and the continued transformation to ensure a successful business outcome.

Share buyback programme

The Adecco Group is pursuing its strategic agenda within the context of its ongoing commitment to both invest in the business and to return capital to shareholders. In addition to the annual dividend payments, at the end of each year the Group reviews its financial position and excess capital is returned to shareholders.

On 1 March 2018, the Adecco Group announced the launch of a share buyback programme of up to EUR 150 million. As of 8 February 2019, the Adecco Group has acquired 3,231,750 shares under this programme for EUR 140 million. The Group suspended purchases prior to the publication of the Q4 and FY 2018 results and intends to complete the remaining EUR 10 million of the buyback programme during March 2019. All shares repurchased under the programme are intended for subsequent cancellation, for which shareholder approval will be sought at the upcoming Annual General Shareholders' Meeting (AGM), on 16 April 2019.

Annual General Meeting of Shareholders

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

  At the AGM 2019, the Board of Directors will propose a total dividend distribution of CHF 2.50 per share for 2018, for approval by shareholders. This represents a pay-out ratio of 48% of adjusted net earnings (at an exchange rate of EUR/CHF 1.1350). The ex-date for this dividend distribution is 23 April 2019.

- Changes to the Board of Directors
  All members of the Board of Directors will stand for re-election at the Adecco Group's upcoming AGM, for a new tenure of one year, ending after completion of the subsequent AGM. Furthermore, Rolf Dörig has decided that the upcoming term as Chairman of the Board of Directors will be his last and he will not be standing for re-election in April 2020.

  The Board of Directors unanimously proposes that Jean-Christophe Deslarzes be elected at the Annual General Meeting in April 2020 to succeed Rolf Dörig as Chairman of the Board of Directors. Jean-Christophe Deslarzes was elected to the Board of Directors of the Adecco Group in April 2015 and has contributed his experience to all Board committees in recent years, as well as chairing the Compensation Committee. He brings many years of successful management experience and has been a member of the ABB Executive Committee and Chief Human Resources Officer since November 2013. Jean-Christophe Deslarzes will hand over his operational responsibilities at ABB at the beginning of 2020, and will remain Non-Executive Chairman of ABB India.

Rolf Dörig said: *"We planned the succession of the Board of Directors at an early stage. In April 2015, Jean-Christophe Deslarzes and Kathleen Taylor were elected to the Board of Directors. Ariane Gorin followed, in 2017, and Regula Wallimann in 2018. With this personnel planning, the Board of Directors ensures continuity in the leadership of the company and consistent oversight of the Group's strategic agenda: "Perform, Transform and Innovate".*

- **Cancellation of shares repurchased under the share buyback**
  At the AGM, the Board of Directors will propose the cancellation of shares that have been purchased on a second trading line under the 2018 share buyback programme. The total number of shares to be cancelled will be confirmed prior to the AGM.

Management outlook

In Q4 2018, Group revenues increased by 1% year-on-year organically, and declined 1% trading days adjusted (TDA).

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 slowdown continues to be driven by European markets, and is partly a reflection of challenging year-on-year comparables, following strong growth in the same period of the prior year, particularly in France and Southern Europe.

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Twitter: @AdeccoGroup

Q4 & FY 2018 results conference calls

There will be a media conference call at 9.00 am CET and an analyst and investor conference call at 11.00 am CET. The conference calls can be followed either via webcast (media conference, analyst conference) or via telephone call:

UK/Global	+ 44 (0) 207 107 0613
United States	+ 1 (1) 631 570 56 13
Cont. Europe	+ 41 (0) 58 310 50 00

The Q4 2018 results presentation will be available through the webcasts and will be published on the Investor Relations section on the Group's website.

Financial Agenda

- Annual General Meeting 16 April 2019
- Ex-dividend date 23 April 2019
- Q1 2019 results 7 May 2019
- Q2 2019 results 8 August 2019
- Q3 2019 results 5 November 2019

Forward-looking statements

Information in this release may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this release are based on information available to Adecco Group AG as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things: global GDP trends and the demand for temporary work; changes in regulation of temporary work; intense competition in the markets in which the Company operates; integration of acquired companies; changes in the Company's ability to attract and retain qualified internal and external personnel or clients; the potential impact of disruptions related to IT; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

About the Adecco Group

The Adecco Group is the world's leading HR solutions partner. We provide more than 700,000 people with permanent and flexible employment every day. With more than 34,000 employees in 60 countries, we transform the world of work one job at a time. Our colleagues serve more than 100,000 organisations with the talent, HR services and cutting-edge technology they need to succeed in an ever-changing global economy. As a Fortune Global 500 company, we lead by example, creating shared value that meets social needs while driving business innovation. Our culture of inclusivity, fairness and teamwork empowers individuals and organisations, fuels economies, and builds better societies. These values resonate with our employees, who voted us number 5 on the Great Place to Work® - World's Best Workplaces 2018 list. We make the future work for everyone.

The Adecco Group is based in Zurich, Switzerland. Adecco Group AG is registered in Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN). The group is powered by ten global brands: Adecco, Adia, Badenoch & Clark, General Assembly, Lee Hecht Harrison, Modis, Pontoon, Spring Professional, YOSS and Vettery.

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Revenues by segment and by business line

Revenues by segment	Q4		Variance %		FY		Variance %	
EUR millions	2018	2017	EUR	Constant currency	2018	2017	EUR	Constant currency
France	1,413	1,401	1%	1%	5,657	5,350	6%	6%
N. America, UK & I. General Staffing	848	787	8%	6%	2,972	3,017	-1%	2%
N. America, UK & I. Professional Staffing[1)]	867	853	2%	0%	3,434	3,608	-5%	-1%
Germany, Austria, Switzerland	521	551	-5%	-6%	2,148	2,185	-2%	-1%
Benelux and Nordics[1)]	516	548	-6%	-5%	2,075	2,079	0%	1%
Italy	515	503	2%	2%	1,997	1,837	9%	9%
Japan[1)]	341	309	10%	7%	1,289	1,276	1%	4%
Iberia	286	289	-1%	-1%	1,127	1,085	4%	4%
Rest of World	696	718	-3%	3%	2,721	2,799	-3%	4%
Career Transition & Talent Development[1)]	124	98	25%	24%	447	424	5%	9%
Adecco Group	**6,127**	**6,057**	**1%**	**1%**	**23,867**	**23,660**	**1%**	**3%**

Revenues by business line[2)]	Q4		Variance %		FY		Variance %	
EUR millions	2018	2017[4]	EUR	Constant currency	2018[4]	2017[4]	EUR	Constant currency
Office	1,433	1,406	2%	3%	5,463	5,606	-3%	1%
Industrial	3,230	3,259	-1%	-1%	12,692	12,301	3%	4%
General Staffing	**4,663**	**4,665**	**0%**	**0%**	**18,155**	**17,907**	**1%**	**3%**
Information Technology	645	617	5%	4%	2,545	2,592	-2%	1%
Engineering & Technical	243	264	-8%	-10%	995	1,066	-7%	-3%
Finance & Legal	259	247	5%	3%	1,012	999	1%	5%
Medical & Science[3)]	147	130	13%	11%	549	503	9%	13%
Professional Staffing[3)]	**1,294**	**1,258**	**3%**	**2%**	**5,101**	**5,160**	**-1%**	**2%**
CTTD[3)]	124	98	25%	24%	447	424	5%	9%
BPO[3)]	46	36	27%	25%	164	169	-3%	2%
Solutions[3)]	**170**	**134**	**26%**	**24%**	**611**	**593**	**3%**	**7%**
Adecco Group	**6,127**	**6,057**	**1%**	**1%**	**23,867**	**23,660**	**1%**	**3%**

1) In Q4 2018 revenues in N. America, UK & I. Professional Staffing remained flat (FY 2018: -2%), while in Benelux and Nordics changed by -6% (FY 2018: 1%), Japan 6% (FY 2018: 4%) and in Career Transition & Talent Development by -1% (FY 2018: -5%), all on organic basis.

2) Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. CTTD comprises Career Transition & Talent Development services. BPO comprises Managed Service Programmes (MSP) and Recruitment Process Outsourcing (RPO).

3) In Q4 2018 revenues changed organically in Information Technology by 4% (FY 2018: remained flat), Medical & Science by 8% (FY2018: 7%), in Professional Staffing by 1% (FY 2018: 1%), in CTTD by -1% (FY2018: -5%), in BPO by 16% (FY2018: 11%) and in Solutions by 3% (FY2018: -1%).

4) 2017 & 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[1] and EBITA margin by segment

EBITA	Q4		Variance %		FY		Variance %	
EUR millions	2018	2017[2]	EUR	Constant currency	2018	2017[2]	EUR	Constant currency
France	101	87	15%	15%	352	344	2%	2%
N. America, UK & I. General Staffing	31	23	37%	35%	92	93	-1%	3%
N. America, UK & I. Professional Staffing	54	51	5%	2%	185	208	-11%	-7%
Germany, Austria, Switzerland	(6)	14	-147%	-147%	22	91	-76%	-76%
Benelux and Nordics	3	15	-81%	-81%	44	72	-39%	-38%
Italy	42	36	17%	17%	163	141	16%	16%
Japan	22	18	23%	20%	90	86	5%	9%
Iberia	14	17	-12%	-12%	57	56	2%	2%
Rest of World	24	24	0%	9%	94	92	3%	11%
Career Transition & Talent Development	13	28	-52%	-53%	76	119	-36%	-33%
Corporate	(63)	(39)	60%	58%	(188)	(151)	24%	30%
Adecco Group	**235**	**274**	**-14%**	**-14%**	**987**	**1,151**	**-14%**	**-12%**

	Q4			FY		
EBITA margin	2018	2017[2]	Variance bps	2018	2017[2]	Variance bps
France	7.2%	6.3%	90	6.2%	6.4%	(20)
N. America, UK & I. General Staffing	3.6%	2.8%	80	3.1%	3.1%	-
N. America, UK & I. Professional Staffing	6.1%	6.0%	10	5.4%	5.8%	(40)
Germany, Austria, Switzerland	-1.2%	2.5%	(370)	1.0%	4.2%	(320)
Benelux and Nordics	0.5%	2.7%	(220)	2.1%	3.5%	(140)
Italy	8.2%	7.2%	100	8.2%	7.7%	50
Japan	6.5%	5.9%	60	7.0%	6.8%	20
Iberia	5.1%	5.8%	(70)	5.1%	5.2%	(10)
Rest of World	3.5%	3.4%	10	3.5%	3.3%	20
Career Transition & Talent Development	11.0%	29.1%	(1,810)	17.1%	28.1%	(1,100)
Adecco Group	**3.8%**	**4.5%**	**(70)**	**4.1%**	**4.9%**	**(80)**

1) EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
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 previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

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Consolidated statements of operations

EUR millions except share and per share information	Q4 2018	Q4 2017[1]	Variance % EUR	Variance % Constant currency	FY 2018	FY 2017[1]	Variance % EUR	Variance % Constant currency
Revenues	6,127	6,057	1%	1%	23,867	23,660	1%	3%
Direct costs of services	(4,958)	(4,971)			(19,434)	(19,314)		
Gross profit	**1,169**	**1,086**	**8%**	**7%**	**4,433**	**4,346**	**2%**	**5%**
Selling, general, and administrative expenses	(934)	(812)	15%	15%	(3,446)	(3,195)	8%	11%
EBITA[2]	**235**	**274**	**-14%**	**-14%**	**987**	**1,151**	**-14%**	**-12%**
Amortisation of intangible assets	(16)	(9)			(52)	(32)		
Impairment of intangible assets						(129)		
Impairment of goodwill	(270)				(270)			
Operating income/(loss)	**(51)**	**265**	**-119%**	**-119%**	**665**	**990**	**-33%**	**-31%**
Interest expense	(7)	(14)			(38)	(52)		
Other income/(expenses), net	2	(7)			100	1		
Income/(loss) before income taxes	**(56)**	**244**	**-123%**		**727**	**939**	**-23%**	
Provision for income taxes	(55)	53			(267)	(149)		
Net income/(loss)	**(111)**	**297**	**-137%**		**460**	**790**	**-42%**	
Net income attributable to noncontrolling interests	(1)				(2)	(2)		
Net income/(loss) attributable to Adecco Group shareholders	**(112)**	**297**	**-137%**		**458**	**788**	**-42%**	
Basic earnings/(loss) per share[3]	**(0.68)**	**1.78**	**-138%**		**2.77**	**4.67**	**-41%**	
Diluted earnings/(loss) per share[4]	**(0.68)**	**1.78**	**-138%**		**2.77**	**4.66**	**-41%**	
Gross margin	*19.1%*	*17.9%*			*18.6%*	*18.4%*		
SG&A as a percentage of revenues	*15.3%*	*13.4%*			*14.4%*	*13.5%*		
EBITA margin	*3.8%*	*4.5%*			*4.1%*	*4.9%*		
Operating income/(loss) margin	*-0.8%*	*4.4%*			*2.8%*	*4.2%*		
Net income/(loss) margin attributable to Adecco Group shareholders	*-1.8%*	*4.9%*			*1.9%*	*3.3%*		

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 0.4 gain in Q4 2017, and a EUR 2 gain in FY 2017, previously shown in "Selling, general and administrative expenses", are now shown in "Other income/(expenses), net".

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

3) Basic weighted-average shares were 164,732,040 in Q4 2018 and 165,394,453 in FY 2018 (166,844,548 in Q4 2017 and 168,745,176 in FY 2017).

4) Diluted weighted-average shares were 164,959,443 in Q4 2018 and 165,681,920 in FY 2018 (167,244,312 in Q4 2017 and 169,100,523 in FY 2017).

Consolidated balance sheets

EUR millions	31 December 2018	31 December 2017
Assets		
Current assets:		
– Cash and cash equivalents	652	958
– Short-term investments		4
– Trade accounts receivable, net	4,432	4,440
– Other current assets	231	187
Total current assets	**5,315**	**5,589**
Property, equipment, and leasehold improvements, net	282	198
Equity method investments	76	173
Other assets	625	668
Intangible assets, net	426	367
Goodwill	2,994	2,895
Total assets	**9,718**	**9,890**
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
– Accounts payable and accrued expenses	4,084	4,066
– Short-term debt and current maturities of long-term debt	267	394
Total current liabilities	**4,351**	**4,460**
Long-term debt, less current maturities	1,509	1,562
Other liabilities	269	286
Total liabilities	**6,129**	**6,308**
Shareholders' equity		
Adecco Group shareholders' equity:		
– Common shares	10	11
– Additional paid-in capital	578	579
– Treasury shares, at cost	(141)	(338)
– Retained earnings	3,407	3,613
– Accumulated other comprehensive income/(loss), net	(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**

Consolidated statements of cash flows

EUR millions	Q4		FY	
	2018	2017[1]	2018	2017[1]
Cash flows from operating activities				
Net income/(loss)	(111)	297	460	790
Adjustments to reconcile net income/(loss) to cash flows from operating activities:				
– Depreciation and amortisation	39	29	138	109
– Impairment of intangible assets				129
– Impairment of goodwill	270		270	
– Other charges	63	(101)	(57)	(121)
Changes in operating assets and liabilities, net of acquisitions				
– Trade accounts receivable	123	(20)	19	(380)
– Accounts payable and accrued expenses	(144)	18	(112)	222
– Other assets and liabilities	3	(26)	9	(12)
Cash flows from operating activities	**243**	**197**	**727**	**737**
Cash flows from investing activities				
Capital expenditures	(46)	(32)	(158)	(100)
Acquisition of Vettery, net of cash and restricted cash acquired			(77)	
Acquisition of General Assembly, net of cash and restricted cash acquired	1		(316)	
Acquisition of BioBridges, net of cash and restricted cash acquired				(37)
Acquisition of Mullin, net of cash and restricted cash acquired		(22)		(22)
Proceeds from disposal of investment in Beeline, net of cash and restricted cash divested		21	226	21
Cash settlements on derivative instruments	(13)	34	(4)	39
Other acquisition, divestiture and investing activities, net of cash and restricted cash acquired	10	(1)	(15)	(14)
Cash used in investing activities	**(48)**		**(344)**	**(113)**
Cash flows from financing activities				
Net increase/(decrease) in short-term debt	(294)	(21)		30
Borrowings of long-term debt, net of issuance costs	46	255	135	255
Repayment of long-term debt		(299)	(350)	(299)
Dividends paid to shareholders			(350)	(374)
Purchase of treasury shares	(76)	(116)	(115)	(304)
Other financing activities, net	(1)	(2)	(2)	(3)
Cash used in financing activities	**(325)**	**(183)**	**(682)**	**(695)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**14**	**(16)**	**14**	**(92)**
Net decrease in cash, cash equivalents and restricted cash	**(116)**	**(2)**	**(285)**	**(163)**
Cash, cash equivalents and restricted cash:				
– Beginning of period	834	1,005	1,003	1,166
– End of period	718	1,003	718	1,003

1) Due to the 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. FY 2017 cash inflow from operating activities increased by EUR 7 to EUR 737, and the effect of exchange rate changes on cash and restricted cash decreased by EUR (5) to EUR (92). Q4 2017 cash inflow from operating activities decreased by EUR (1) to EUR 197.