



Performing, transforming and innovating

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

Our steps in 2016 to drive Performance

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

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

Enhancing our IT infrastructure

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

Optimising our portfolio of businesses

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

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

Streamlining our brands

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

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

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

Strategic priorities

1

Professional Staffing & Solutions

Further strengthen our worldwide leadership position

2

Permanent Placement

Build a culture of excellence in both professional staffing and general staffing

3

Segmentation

Diversify our portfolio and ensure the correct delivery model for every activity

4

Digital

Digitise our business and be a leading innovator in emerging digital activities

5

Engagement

Get, keep, grow, enable, and inspire the best talent in the industry

6

Thought Leadership

Guide individuals, companies, governments and social partners with our deep market expertise

Achievements in 2016

- Strengthened our multi-brand approach around our core global lead brands
- Acquired Penna to reinforce our global leadership in Career Transition
- Professional Staffing & Solutions represent 25% of Group revenues

- Continued to invest in perm teams, brands and sharing best practices
- Revenues +23% combined in key investment markets of France, Germany, Italy and Spain; total permanent placement gross profit 10% of Group

- New Client and Candidate Portfolio Management approach for SMEs
- Onsite country practice leaders appointed in our major markets
- Double-digit revenue growth in Onsites; SMEs now ~35% of revenues

- Defined Digital strategy; appointed new CIO and Head of Digital
- Introduced modular approach to upgrade and strengthen IT infrastructure
- Launched first of our digital ventures in data analytics and online staffing

- Implemented new talent framework: Get, Keep, Grow, Enable, Inspire
- Strengthened global talent management and career & succession planning
- Added 'talent without labels' concept to enhance our diversity initiatives

- Created global thought leadership group to leverage our knowledge
- Began series of White Papers on the Future of Work
- Extended our 4th Global Talent Competitiveness Index to 118 countries and 46 cities

Adapting to the future by Transforming and Innovating

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

Although it is too early to know the exact nature of the transformation, we believe the time to begin acting is now. The broad directions are already becoming clear: increased employee and employer flexibility, new

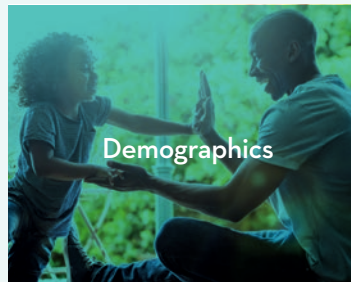
employment models, rapid job creation and destruction, digital-physical hybrids, data-driven insights and solutions. Under our Transform agenda, we are adapting to these developments by introducing new delivery models and enhancing digitisation across all business lines. As well as adapting our existing offerings, we are developing and acquiring new approaches and capabilities – this is the focus of our Innovate agenda. We are exploring, experimenting, and launching pilot projects in new solutions, enlarging the scope and value of our activities in the emerging world of work.

5 global megatrends changing the world of work



Technology

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



Demographics

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



Sociology

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



Political economy

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



Regulation

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

Our Grow Together initiative

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

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

Widening our core business

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

Demand is also set to increase for the services we provide to organisations for their core permanent workforces, driven by the megatrends changing the world of work. As demographic trends cause skills shortages and tighter labour markets in many countries, talent acquisition will become an even higher priority for employers. The impact of technology in areas such as robotics and artificial intelligence will rapidly change the skills needed by some organisations; this will drive greater demand for talent development and training,

and for career transition. We have a strong offering in permanent placement, and Lee Hecht Harrison is the global leader in career transition and talent development. Extending and expanding these activities from this base is a key focus area for The Adecco Group.

Reinventing customer experience

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

Exploring digital opportunities

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

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

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

Our purpose is key to our culture

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

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

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

Building on our strengths

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

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

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

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

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

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

WAY TO WORK
BY THE ADECCO GROUP



A handwritten signature in black ink, appearing to read 'Alain Dehaze'.

Alain Dehaze
Chief Executive Officer

Our investment story



Global megatrends are changing the world of work

Employees will work when, where and how they wish, doing the work that matches their skills, interests and compensation needs. Employers will employ workers to meet carefully defined needs, through a broad range of relationships across all skill levels.

The Adecco Group is taking the lead in this transformation

We are reshaping the world of work, reinventing existing ways of operating, and developing and acquiring new capabilities. We provide innovative solutions that enable employers to flexibly manage their workforces and employees to flexibly manage their careers.



New employment models bring exciting growth opportunities

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

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

By combining data, technology and talent, we increase our value to clients and candidates and strengthen our competitive position. Digitising our processes reduces our cost-to-serve, and improves our capital efficiency. This will help us to expand our operating margin and generate strong cash flow, consistent with our through-the-cycle financial objectives.

