2013 began with uncertainty and ended with signs of economic recovery. Revenue trends improved for the Adecco Group and we increased our EBITA margin excluding restructuring and integration costs.

Our results

Group performance highlights 2013

A return to revenue growth in Q4 2013

The economic situation entering 2013 was marked by continued uncertainty over the European debt crisis and the looming fiscal cliff in the USA. However, during Q1 2013 signs of stability became visible and overall macroeconomic conditions improved modestly as the year progressed. We saw a similar gradual development in our own business, with year-on-year organic[1] revenue growth moving from -7% in Q1 2013 to 4% in Q4 2013. This improvement was largely driven by regions where our business has a high exposure to industrial demand, such as France, Germany & Austria, Iberia, Italy and Benelux. Our growth in the latter two regions was especially encouraging as we significantly outperformed the market, especially in the second half of the year. We also grew faster than our major peers in North America, where we saw steady revenue growth during 2013, and in our global business LHH.

Increased EBITA margin

Our EBITA margin excluding restructuring costs increased to 4.4% in 2013, up 40 bps compared to the 4.0% EBITA margin excluding restructuring and integration costs in 2012. Gross margin was the primary driver, increasing from 17.9% in 2012 to 18.3% in 2013. This was the result of our continued strict approach to pricing as well as the effect of the French CICE (tax credit for competitiveness and employment). In addition, we maintained our tight cost control and aligned the cost base where necessary: we took additional cost reduction measures in France and combined data centres in North America. Overall, SG&A excluding restructuring and integration costs fell by 1% organically compared to the prior year, mirroring the organic revenue decline.

Dividends and share buyback programmes

Strong cash generation is a key focus throughout the Company, underpinned by our use of EVA in managing the business. In May 2013, we paid the dividend for 2012 of CHF 1.80 per share, amounting to a total of EUR 266 million. For 2013, the proposed dividend is CHF 2.00[2] per share, an increase of 11%. This will amount to an estimated payout of EUR 290[3] million in May 2014. In addition we continued our share buyback programmes. In September 2013 we completed a EUR 400 million share buyback programme (commenced in July 2012), and launched a further share buyback programme of up to EUR 250 million.

Main financial highlights 2013

- Revenues of EUR 19.5 billion, down 5% year-on-year (-1% organically)
- Strong gross margin increase to 18.3%, up 40 bps year-on-year
- SG&A down 1% year-on-year, organically and excluding EUR 33 million restructuring costs in 2013 and EUR 88 million restructuring and integration costs in 2012
- EBITA excluding restructuring costs of EUR 854 million, up 9% in constant currency compared to EBITA excluding restructuring and integration costs of EUR 813 million in 2012
- EBITA margin excluding restructuring costs of 4.4%, up 40 bps compared to EBITA margin excluding restructuring and integration costs of 4.0% in 2012
- Net income attributable to Adecco shareholders of EUR 557 million
- Proposed 2013 dividend of CHF 2.00 per share, up 11% compared to last year

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

2 Proposed by the Board of Directors subject to approval at the 2014 AGM.

3 Based on the total number of outstanding shares of 178,138,000 (excluding treasury shares).

Key figures at a glance

in EUR millions (except per share information)	2013	2012	variance
Revenues	19,503	20,536	-5%
Gross profit	3,560	3,674	-3%
Gross margin	18.3%	17.9%	
SG&A	(2,739)	(2,949)	-7%
EBITA	821	725	13%
EBITA margin	4.2%	3.5%	
Net income attributable to Adecco shareholders	557	377	48%
Basic EPS in EUR	3.09	2.00	54%
Diluted EPS in EUR	3.08	2.00	54%
Operating cash flow	520	579	-10%
Dividend per share in CHF	2.00[2]	1.80	11%

Other highlights

- In July 2013, the Adecco Group successfully issued EUR 400 million medium-term 6-year notes with a coupon of 2.75%. The proceeds will be used for the refinancing of the existing 5-year guaranteed Euro medium-term notes due on April 28, 2014 and for general corporate purposes.
- In September 2013, the Adecco Group completed the share buyback programme of EUR 400 million. The company acquired 9,721,446 shares on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. Immediately after completion the Company started a new share buyback programme of up to EUR 250 million and as of December 31, 2013 had acquired 460,250 shares for EUR 25 million under the new programme. Shareholders will be asked to vote on the cancellation of the shares acquired until December 31, 2013 (10,181,696 shares) at the AGM 2014.
- In November 2013, the Adecco Group announced the appointment of Mark De Smedt as Chief Human Resources Officer of the Group and member of the Executive Committee effective as of January 1, 2014.

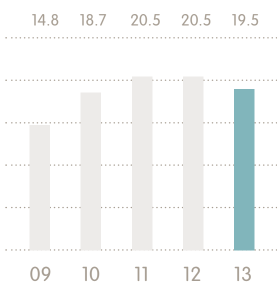
Review of operational results

Revenues

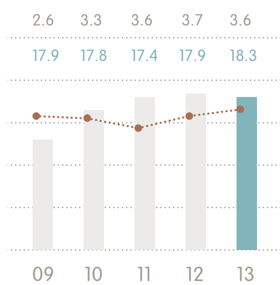
In 2013, our revenues were EUR 19,503 million, down 5% or down 1% organically compared with the prior year. Temporary hours sold were down 4% to 1,144 million. Permanent placement revenues amounted to EUR 320 million, down 7% or down 3% in constant currency. Career Transition (outplacement) revenues totalled EUR 279 million, an increase of 4% or 7% in constant currency. On a geographical basis, trends were somewhat mixed. In France, revenues declined by 8% organically while revenues in North America grew 3% organically. Revenues in UK & Ireland grew by 3% in constant currency, despite a tough comparative due to the London Summer Olympics in 2012. Germany & Austria grew 2%. In Japan, revenues declined by 10% in constant currency while the Emerging Markets continued to expand solidly, growing 8% in constant currency. Elsewhere, Italy outperformed the market with 3% growth and Iberia already returned to positive territory. Our weakest revenue performance in 2013 was in Australia & New Zealand, which saw a revenue decline of 13% in constant currency in a challenging market.

From a business line perspective, General Staffing represented 75% of Group revenues in 2013 with the remaining 25% coming from Professional Staffing and Solutions. In 2013, General Staffing revenues declined by 2% while Professional Staffing grew 1%, both on an organic basis. Importantly, the organic revenue trend in General Staffing improved significantly during the year, from a decline of 9% in Q1 2013 to growth of 4% in Q4 2013. The major driver of the General Staffing recovery was Industrial, which is typical for the first stage in economic recovery. In our Solutions business, counter-cyclical Career Transition and Talent Development services reported a revenue increase of 6%, while in MSP and VMS strong double-digit growth was achieved, all in constant currency.

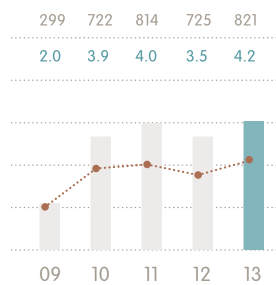
Revenues *in EUR billions*



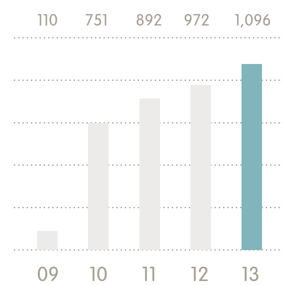
Gross profit *in EUR billions*
Gross margin in %



EBITA *in EUR millions*
EBITA margin in %



Net debt[4] *in EUR millions*



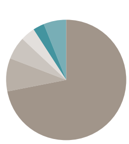
Gross profit

Gross profit of EUR 3,560 million was down by 3% or up by 1% organically. The gross margin was 18.3%, 40 bps higher than in 2012. Organically, the improvement in the gross margin was also 40 bps. This was driven by our continued strict approach to pricing as well as the effect of the French CICE (tax credit for competitiveness and employment). The temporary staffing business had a positive impact of 30 bps on the gross margin. The permanent placement business had a neutral impact on the gross margin whereas outplacement had a positive impact of 10 bps.

Selling, general and administrative expenses (SG&A)

SG&A decreased by 7% or by 1% organically and excluding restructuring and integration costs. In order to protect profitability and further structurally increase efficiency, we took additional actions in 2013 to lower our cost base. In particular, we implemented some further cost reduction measures in France and combined data centres in the USA. Restructuring costs amounted to EUR 33 million in 2013 and 83 million in 2012. Integration costs were EUR 5 million in 2012. In 2013, the average number of FTE employees decreased by 5%. The average branch network was down 6% when comparing 2013 with 2012. On December 31, 2013 the number of branches and FTE employees was around 5,100 and more than 31,000, respectively.

SG&A breakdown
FY 2013



- Personnel Expenses 72%
- Premises Expenses 9%
- Office & Admin. Expenses 6%
- Depreciation 4%
- Marketing 3%
- Bad Debt Expense 0%
- Other 6%

EBITA

In 2013, EBITA increased by 18% in constant currency to EUR 821 million. EBITA excluding restructuring costs was EUR 854 million in 2013, an increase in constant currency of 9% compared to EBITA excluding restructuring and integration costs of EUR 813 million in 2012. The EBITA margin excluding restructuring costs was 4.4%, up 40 bps compared to the 4.0% EBITA margin excluding restructuring and integration costs in 2012.

Amortisation of intangible assets

Amortisation was EUR 42 million in 2013, compared to EUR 52 million in 2012.

Operating income

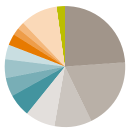
Operating income in 2013 was EUR 779 million, compared to EUR 673 million in 2012.

Interest expense and other income/(expenses), net

Interest expense increased by EUR 3 million to EUR 79 million in 2013. Other income/(expenses), net was an expense of EUR 2 million in 2013, compared to a net expense of EUR 13 million in 2012. The 2012 expense included EUR 15 million loss on the sale of a business in North America.

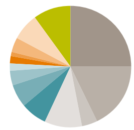
4 Net debt is a non-U.S. GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments.

2013 revenue split by segment *in %*



- France 24%
- North America 19%
- UK & Ireland 10%
- Germany & Austria 8%
- Japan 6%
- Italy 5%
- Benelux 5%
- Nordics 4%
- Iberia 3%
- Australia & New Zealand 2%
- Switzerland 2%
- Emerging Markets 10%
- LHH 2%

2013 EBITA split by segment *in %*
(operating units)



- France 25%
- North America 18%
- UK & Ireland 4%
- Germany & Austria 10%
- Japan 7%
- Italy 6%
- Benelux 4%
- Nordics 2%
- Iberia 2%
- Australia & New Zealand 1%
- Switzerland 4%
- Emerging Markets 7%
- LHH 10%

Provision for income taxes

The effective tax rate for 2013 was 20% compared to 35% in 2012. In 2013, discrete events had a positive impact of approximately 8% on the tax rate. In 2012, discrete events including the valuation allowance on the French deferred tax assets had a negative impact of approximately 4% on the tax rate.

Net income attributable to Adecco shareholders and EPS

In 2013, net income attributable to Adecco shareholders was up 48% to EUR 557 million. Basic EPS was EUR 3.09, up 54% compared to 2012, reflecting net income growth and the impact of the share buyback programmes.

Cash flow, net debt[4] and DSO

Cash flow generated from operating activities amounted to EUR 520 million in 2013. The Group invested EUR 81 million in capex in 2013. Dividends paid were EUR 266 million and the Group paid EUR 297 million for treasury shares. Net debt at the end of December 2013 was EUR 1,096 million compared to EUR 972 million at year end 2012. In 2013, DSO was 54 days, the same as in 2012.

Outlook for 2014

Most European economies have begun to recover. In Q4 2013, we saw a strong pick-up in our early-cyclical Industrial business, driven by double-digit growth in the manufacturing sector. We expect demand for flexible labour to continue to increase in 2014. Revenue growth in constant currency and adjusted for trading days was 5% for January and February, 2014 with revenue trends across all major geographies similar to Q4 2013.

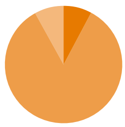
Given these trends, we maintain our price discipline and cost control. In 2014, we expect to incur restructuring costs of approximately EUR 20 million for the move to a single headquarters in North America and several smaller projects in other countries. At the same time, we will continue to invest in organic growth opportunities and the consolidation of our IT platforms, whilst focusing on our strategic priorities. SG&A in Q1 2014 is expected to increase slightly compared to Q4 2013 on a constant currency basis and excluding restructuring costs.

We continue to be very focused on reaching our EBITA margin target of above 5.5% in 2015. Based on the good progress on our six strategic priorities, recent trends and more favourable economic conditions expected going forward, we remain convinced we will achieve this target.

Review of main markets

France

Country revenue split by business line



Office
Industrial
Professional Staffing & Solutions

General Staffing

in EUR millions	2013	2012[6]	variance
Revenues	4,735	5,183	-9%
EBITA	224	103	117%
EBITA margin	4.7%	2.0%	

Market overview

France is a key market for staffing, with an approximate share of 6%[5] of the global market. While the staffing industry in general shows a high degree of fragmentation, the French market is significantly concentrated: the three major players hold a total market share of around 70%[5]. Adecco is the market leader in France, with a market share of around 28%[5].

France is our largest market, generating 24% of our total revenues in 2013. Approximately 90% of revenues stemmed from the General Staffing business, the majority of which is blue-collar industrial staffing. Professional Staffing still represents a minor part of our business in France, but is clearly a structural growth area for the future.

At the end of 2012 the Government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. For 2013, this provided employers with a tax credit of 4% on employee salaries up to 2.5 times the minimum wage; for 2014, the amount of credit increases to 6%. This credit must be used, amongst other purposes, to fund training and investment in research and development. Separately, new regulations came into effect in July 2013 increasing unemployment social charges on short-term contracts with a limited duration (CDD contracts). These new social charges do not apply to temporary staffing contracts, but in return the temporary staffing industry committed to employ a certain number of flexible workers on unlimited duration contracts (CDI contracts).

Over the last two years Adecco has implemented significant measures to further increase the efficiency of the French operations. In 2012, we combined the Adecco and Adia branded businesses under the single Adecco brand, resulting in significant reductions in headcount and branch footprint. In 2013, further cost reduction measures were taken to continue to align the cost base with the negative revenue development.

Performance in 2013

The weak economic backdrop in France led to a further decline in the French staffing market of 7%[5] in 2013. As a result of our continued focus on profitability, Adecco's revenues decreased by 8% organically for the year as a whole. This was slightly more than the market, but by the second half of the year we had closed the gap to our major peers. The revenue decline was driven primarily by weakness in the Industrial business (-9%).

EBITA was EUR 224 million and the EBITA margin was 4.7%. EBITA excluding restructuring costs was EUR 243 million, up 48% compared to 2012. The EBITA margin excluding restructuring costs increased to 5.1%, the leading performance in the market. This margin increased by 190 bps compared to the prior year driven by our cost reduction measures, price discipline and the effect of CICE.

Priorities for 2014

A priority for the management in France in 2014 will be the ongoing segmentation of our business, with dedicated branch networks and distinct operating models by segment. Further developing our permanent placement business is another area of focus. We will also be implementing a bench model in which a number of our associates will receive unlimited duration contracts (CDI contracts) as part of a broader industry initiative agreed by all major staffing companies. This is a new model in France but the Adecco Group can draw on its experience of similar systems in Germany and Sweden. As the market leader, we will also focus on maintaining price discipline as the market begins to recover.

5 Adecco estimate.

6 As of January 2013, Morocco and Tunisia, previously within France, are reported under Emerging Markets. The 2012 Information has been restated to conform to the current year presentation.

North America

Country revenue split by business line

in EUR millions	2013	2012	variance[7]
Revenues	3,726	3,800	1%
EBITA	168	161	7%
EBITA margin	4.5%	4.2%	

Market overview

The US market, which represents 34%[5] of the global staffing market, is the largest worldwide. It is highly fragmented, and while we are the second-largest player, our market share is only about 4%[5]. From a regulatory perspective, this market is amongst the most liberalised in our industry. The share of revenues generated in the Professional Staffing business is also amongst the highest when compared with other markets.

North America represented 19% of the Group's total revenues in 2013. From a business line perspective, Professional Staffing and Solutions revenues were roughly 50% of total revenues while 50% stemmed from General Staffing.

In the USA, demand for temporary jobs was healthy in 2013 and increased faster than permanent employment. Approximately 900,000 temporary staffing jobs were lost during the recession in 2008 and 2009, but by the end of 2013 over 1,000,000 had been recovered while total employment in the USA is still 0.5%[8] below the 2007 peak. As a result, the penetration rate (the number of temporary employees as a percentage of the overall workforce) increased from the trough of 1.4%[8] in 2009 to 2.0%[8] in 2013, equal to the peak reached in the year 2000. Recent regulatory and structural trends point to this peak being surpassed in the future. One driver is healthcare reform, which could spur further demand for temporary staffing.

Performance in 2013

Overall, revenues in the region amounted to EUR 3,726 million, up 3% organically. General Staffing grew 2% with good growth in Industrial of 7%, somewhat offset by a decline in Office of 3%, all in constant currency. Professional Staffing was up 3% organically, with our two largest segments, IT and Engineering & Technical, performing well. In our permanent placement business we had a strong year, with revenues up 15% in constant currency.

EBITA was EUR 168 million and the EBITA margin was 4.5%. EBITA excluding restructuring costs was EUR 174 million, up 8% in constant currency. The EBITA margin excluding restructuring costs was 4.7%, up 30 bps compared to 2012. Restructuring costs incurred for the consolidation of several data centres amounted to EUR 6 million in 2013 and EUR 6 million in 2012.

Priorities for 2014

In North America, our revenue growth rate was steady throughout 2013 in constant currency. For 2014, economic forecasts point to accelerating GDP growth and we will focus on driving strong commercial activity levels in order to benefit from this improvement. In addition, we will continue to grow our leading operations in Business Process Outsourcing through our Pontoon business for MSP and RPO and our Beeline business for VMS. A key priority for management is to leverage further our cost base and the previous investments we have made, especially in our IT staffing business. In 2014 we will also move to a single headquarters for the Adecco Group in North America, in order to realise further overhead savings.

UK & Ireland

Country revenue split by business line

in EUR millions	2013	2012	variance[7]
Revenues	1,907	1,936	3%
EBITA	37	32	20%
EBITA margin	1.9%	1.6%	

Market overview

Representing 11%[5] of the global staffing market, the UK is the third-largest market in the industry worldwide. As in the USA, the UK staffing market is highly fragmented and the labour market is fairly liberalised. With a market share of 6%[5] we are the market leader in the UK. From a business mix perspective, roughly two-thirds of our revenues stemmed from Professional Staffing, while one-third was generated in General Staffing. The UK & Ireland represented 10% of the Group's total revenues in 2013. In line with the recovering UK economy, the UK staffing market showed an improving growth trend during 2013.

7 In constant currency.

8 Source: Bureau of Labor Statistics (BLS).

Performance in 2013

Our revenues amounted to EUR 1,907 million, up 3% in constant currency. Revenues were flat in General Staffing, while Professional Staffing was up 4%, both in constant currency.

EBITA was EUR 37 million, and the EBITA margin was 1.9%. EBITA excluding restructuring costs was EUR 40 million in 2013, up 28% in constant currency. The EBITA margin excluding restructuring costs was 2.1%, an increase of 50 bps compared to the prior year. In 2013, restructuring costs amounted to EUR 3 million. It should be noted that 2012 was affected by the London Summer Olympics, with a benefit to revenues but a negative impact on profitability due to sponsorship costs.

Priorities for 2014

In 2014, we will continue to focus on leveraging our market-leading position, with high levels of commercial activity in order to benefit from an improving economy. A top priority remains further increasing our profitability, by focusing on appropriate service delivery models, strengthening our presence in the permanent placement business and leveraging the opportunities offered by Business Process Outsourcing solutions (MSP/RPO/VMS).

Germany & Austria

Country revenue split by business line

in EUR millions	**2013**	**2012**	**variance**
Revenues	1,620	1,591	2%
EBITA	88	90	-1%
EBITA margin	5.5%	5.6%	

Market overview

Germany is a key market for staffing with a roughly 6%[5] share of the global market, and we continue to view it as one of the most attractive markets. We generated 8% of the Group's revenues in 2013 in Germany & Austria. In Germany our market share is 9%[5], making us the second-largest player.

The comparatively higher profitability in Germany is attributable to the fact that temporary agency workers are on our own payroll – a regulation peculiar to the German and Swedish markets, where temporary employees are effectively permanent employees of the staffing firm. Employing associates on a permanent basis is in contrast to most other European countries, where the employment contract signed with temporary staff is limited to the duration of a certain assignment at the client. While having the temporary associates on our own payroll is to some extent a liability during economically difficult times, it also allows for premium pricing to factor in this risk, resulting in higher overall operating margins.

At the end of 2012 and during 2013, new collective wage agreements for temporary staffing came into effect in various industries, reflecting better alignment in terms of compensation between temporary and permanent jobs as stipulated by the Equal Pay provisions in the European Directive on Temporary Agency Work. For instance, IG Metall, the largest Union in Germany negotiated progressive wage increases on top of the base rate as follows – an increase of 15% after six weeks, 30% after five months, 45% after seven months and 50% after nine months. The wage increases are based on the length of the assignment at the same client company. Other Unions followed suit, with similar structures. At Adecco, we have been supportive of this development as this will help enhance the image of the staffing industry and will drive higher penetration rates in Germany. At the end of 2013, the new Government announced a coalition agreement which also affects temporary work.

In 2013, the penetration of temporary staff as a proportion of the overall workforce was 2.2%[5] in Germany, the same as the prior year. In the medium term, Germany remains an attractive structural growth market in our view, as greater acceptance of temporary staffing and the need for flexibility will result in even higher penetration rates. Companies strive to further increase their flexible workforce and the European Agency Work Directive requires the lifting of all restrictions on temporary agency work. This offers additional revenue potential for our industry. Moreover, in the German construction sector, which today is still closed to temporary labour, restrictions should eventually be lifted.

Performance in 2013

In 2013, our revenues in Germany & Austria increased by 2% to EUR 1,620 million. From a business line perspective, Professional Staffing revenues represented 16% of our revenues in Germany & Austria, while General Staffing contributed 84%. In 2013, revenues grew by 2% in General Staffing and declined by 1% in Professional Staffing.

EBITA was EUR 88 million in 2013 compared to EUR 90 million in the prior year. Restructuring costs in 2012 amounted to EUR 10 million. In 2013, the EBITA margin was 5.5%, down 80 bps compared to the EBITA margin excluding restructuring costs in 2012.

Priorities for 2014

In Germany & Austria, revenue growth clearly improved from a decline of 7% in Q1 2013 to growth of 10% in Q4 2013. In 2014, we will focus on capturing further growth from this recovering trend, which was led by the Industrial business, and on expanding our business with small and medium-sized companies. As the leader in Professional Staffing, we are also well positioned to benefit from the structural growth potential in higher-skill areas.

Japan

Country revenue split by business line

in EUR millions	2013	2012	variance[7]
Revenues	1,118	1,550	-10%
EBITA	66	91	-9%
EBITA margin	5.9%	5.8%	

Market overview

The Japanese market is the second-largest staffing market in the world, representing roughly 13%[5] of the global market. This market has seen robust growth since the beginning of liberalisation in 1996. Fragmentation is high, with the five largest players representing only around 20%[5] of the market, while the remainder is dominated by numerous regional and local staffing firms. Adecco is currently the fourth-largest player in the Japanese market. In 2013, Japan represented 6% of the Group's revenues.

In 2013, the new Government announced a planned structural change of the temporary staffing and worker dispatch laws. The new legislation would eliminate restrictions based on specific job categories and also change contract periods for non-permanent workers. These regulatory changes are expected to be considered for legislative approval in 2014 and to take effect in late 2015.

Performance in 2013

Our revenues in Japan decreased 10% in constant currency to EUR 1,118 million. This reflects in part the fact that approximately 75% of our revenues are generated in the late-cyclical Office business, which is yet to see the benefit of expansionist economic policies. In addition, we still suffered early in 2013 from the fact that large outsourcing contracts from 2011–2012 were successfully completed and did not recur. However, by Q4 2013 revenues were only down 3% in constant currency due to the already lower base. Professional Staffing now represents around 20% of revenues while approximately 80% are generated in General Staffing.

EBITA decreased by 9% in constant currency to EUR 66 million. The EBITA margin was 5.9% in 2013, up 10 bps compared to the previous year. We continued to be the cost leader in the market, delivering the highest profitability compared with our mainly local peers.

Priorities for 2014

In Japan our business is heavily exposed to the late-cyclical Office business and as such has yet to see the clear benefits of the improving economy, although growth did accelerate during 2013 in our smaller IT and Engineering & Technical businesses. In 2014 we aim to drive organic growth for the overall business through focusing on opportunities in temporary staffing, permanent placement, professional staffing and outsourcing. Maintaining our strong profitability in Japan continues to be a key priority for management.

Further information on countries and regions can be found in the Financial Review, starting on page 43.