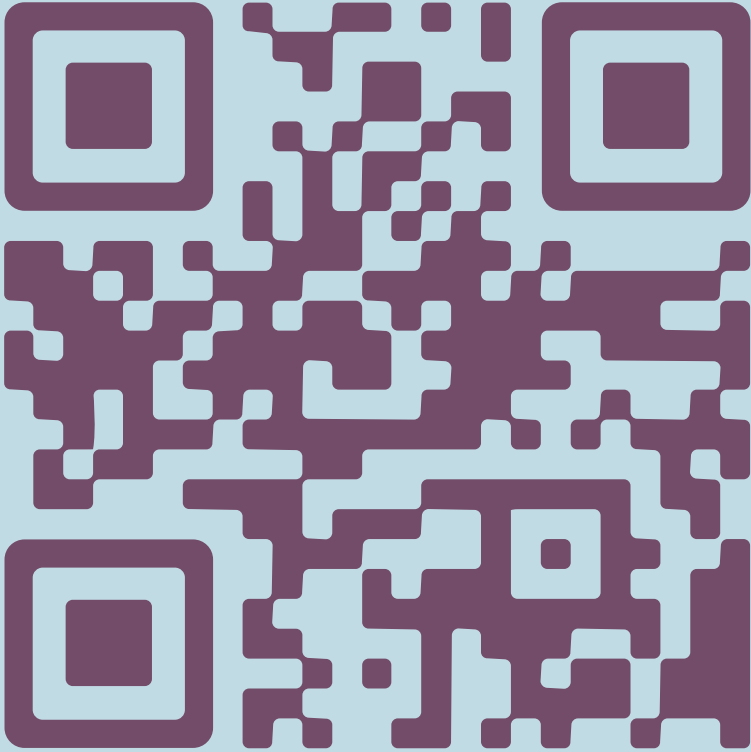




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Adecco Group – Selected financial information (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	2012	2011
Statements of operations		
Revenues	10,230	10,081
Amortisation of intangible assets	(27)	(27)
Operating income	340	344
Net income attributable to Adecco shareholders	224	241

As of (in EUR)	30.06.2012	31.12.2011
Balance sheets		
Cash and cash equivalents and short-term investments	449	534
Trade accounts receivable, net	3,914	3,725
Goodwill	3,572	3,455
Total assets	9,583	9,354
Short-term debt and current maturities of long-term debt	551	236
Accounts payable and accrued expenses	3,548	3,545
Long-term debt, less current maturities	1,142	1,190
Total liabilities	5,769	5,543
Total shareholders' equity	3,814	3,811

For the six months ended June 30 (in EUR)	2012	2011
Cash flows from operations		
Cash flows from/(used in) operating activities	81	(30)
Cash used in investing activities	(174)	(97)
Cash used in financing activities	(11)	(21)
Other indicators		
Capital expenditures	48	50

As of	30.06.2012	31.12.2011
Other indicators		
Net debt (in EUR) ¹	1,244	892
Additional statistics		
Number of FTE employees at end of period (approximate)	33,000	33,000

¹ 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.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Operational results

1.1 Overview

Statements throughout this discussion and analysis using the term “the Company” refer to the Adecco Group, which comprises Adecco S.A., a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which Adecco is considered the primary beneficiary.

Revenues for the first six months of 2012 amounted to EUR 10,230. Compared to the same period last year, revenues increased by 1% or decreased by 1% in constant currency (decreased by 2% organically). This was mainly due to a decrease of 3% in the temporary staffing volume as temporary hours sold decreased to 597 million. Furthermore, in the first six months of 2012, permanent placement revenues totalled EUR 182, an increase of 4% (flat organically), and outplacement revenues amounted to EUR 136, an increase of 43% or a decrease of 1% organically.

Gross margin was 17.9%, up 70 basis points (“bps”) compared to the first six months of 2011. Excluding acquisitions and divestures, which had a positive impact of 40 bps, gross margin was up 30 bps.

Selling, general, and administrative expenses (“SG&A”) increased by 8% or by 4% in constant currency. SG&A as a percentage of revenues increased by 80 bps to 14.3% in the first six months of 2012. Included in the first six months of 2012 are restructuring expenses of EUR 15 mainly related to various European countries. Organically, SG&A increased by 1%. The branch network expanded by 1% and decreased by 1% organically, and full-time equivalent (“FTE”) employees increased by 2% or by 0% organically. As of the end of June 2012, the Company had approximately 33,000 FTE employees and operated a network of over 5,500 branches.

Amortisation of intangible assets amounted to EUR 27 in the first six months of 2012, unchanged from the same period in 2011.

Operating income. In the first six months of 2012, the operating income amounted to EUR 340 compared to EUR 344 in the same period of 2011. The operating income margin was 3.3% for the first six months of 2012, a decrease of 10 bps when compared to the same period of 2011.

Interest expense was EUR 37 compared to EUR 32 in the first six months of 2011. **Other income/(expenses), net**, amounted to a loss of EUR 11 in both the first six months of 2012 and the first six months of 2011. The 2012 loss includes the loss of EUR 15 on the sale of a business in North America at the end of June 2012. The 2011 loss was mainly due to the EUR 11 loss recognised in connection with the bond tender completed in April 2011.

In the first six months of 2012, the Company recorded an income tax expense of EUR 67 compared to EUR 59 in the same period of 2011. The **effective tax rate** in the first six months of 2012 was 23% compared to 20% in the same period of 2011. The income tax rate in the first six months of 2012 and in the first six months of 2011 includes the positive impact of EUR 26 and EUR 32, respectively from the successful resolution of prior years’ audits and tax disputes and the expiration of the statute of limitations in several jurisdictions.

Net income attributable to Adecco shareholders amounted to EUR 224 in the first six months of 2012, compared to EUR 241 in the same period of 2011. Basic earnings per share (“EPS”) was EUR 1.19 in the first six months of 2012 compared to EUR 1.26 in the first six months of 2011.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1.2 Segment performance

The segment breakdown of revenues and operating income for the six months ended June 30, 2012 and June 30, 2011 is presented in the following table:

in EUR	2012	2011	Variance %	
			EUR	Constant currency
Revenues				
France	2,646	3,004	(12)	(12)
North America ¹	1,876	1,728	9	1
UK & Ireland	929	817	14	8
Germany & Austria ²	786	738	7	7
Japan ²	810	682	19	7
Italy	477	520	(8)	(8)
Benelux	452	469	(4)	(4)
Nordics	408	400	2	0
Iberia	331	367	(10)	(10)
Australia & New Zealand	266	245	9	1
Switzerland	208	221	(6)	(11)
Emerging Markets ¹	884	781	13	14
LHH ²	157	109	44	38
Adecco Group²	10,230	10,081	1	(1)
Operating income				
France	68	94	(28)	(28)
North America ¹	83	66	25	16
UK & Ireland	14	15	(1)	(7)
Germany & Austria	43	48	(10)	(10)
Japan	48	40	19	7
Italy	26	34	(23)	(23)
Benelux	15	20	(27)	(27)
Nordics	13	6	111	113
Iberia	10	11	(5)	(5)
Australia & New Zealand	10	7	42	31
Switzerland	16	20	(22)	(26)
Emerging Markets ¹	28	28	3	4
LHH	42	21	98	89
Corporate expenses	(49)	(39)		
Operating income before amortisation of intangible assets	367	371	(1)	(4)
Amortisation of intangible assets	(27)	(27)		
Adecco Group	340	344	(1)	(4)

¹ In 2012, Mexico, previously included in North America, is reported under Emerging Markets. The 2011 information has been restated to conform to the current year presentation.

² In the first six months of 2012, revenues changed organically in Germany & Austria by 4%; in Japan by -4%; in LHH by 1%; and in Adecco Group by -2%.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

France

In the first six months of 2012, revenues in France decreased by 12% and operating income amounted to EUR 68 compared to EUR 94 in the first six months of 2011. Included in the first six months of 2012 were restructuring expenses of EUR 8. The operating income margin was 2.6% in the first six months of 2012.

North America

In North America, revenues increased by 9% or by 1% in constant currency, compared to the first six months of 2011. Operating income in the first six months of 2012 was EUR 83, an increase of 16% in constant currency. Furthermore, in the first six months of 2012, the operating income margin increased by 60 bps to 4.4%.

UK & Ireland

In the first six months of 2012, revenues in the UK & Ireland increased by 14% or by 8% in constant currency and operating income amounted to EUR 14 compared to EUR 15 in the first six months of 2011. The operating income margin was 1.5% in the first six months of 2012.

Germany & Austria

In Germany & Austria, revenues increased by 7% or by 4% organically compared to the first six months of 2011. Operating income amounted to EUR 43 compared to EUR 48 in the same period of 2011. The operating income margin was 5.5% in the first six months of 2012 compared to 6.5% in the first six months of 2011.

Japan

In Japan, revenues increased by 19% or decreased by 4% organically, compared to the first six months of 2011. Operating income was EUR 48 in the first six months of 2012 compared to EUR 40 in the first six months of 2011. The operating income margin for the first six months of 2012 was unchanged at 5.9% when compared to the first six months of 2011.

Italy

Revenues in Italy decreased by 8% compared to the first six months of 2011. The operating income margin was down 100 bps to 5.4% in the first six months of 2012 compared to the same period of 2011.

Benelux

In the first six months of 2012, revenues in Benelux decreased by 4%. The operating income margin decreased by 100 bps to 3.3% in the first six months of 2012 compared to the first six months of 2011.

Other

Revenues in the Nordics increased by 2% and were flat in constant currency. The operating income margin was 3.2% compared to 1.5% in the first six months of 2011.

In Iberia, revenues decreased by 10%, as economic conditions in the region remained challenging.

In the first six months of 2012, Australia & New Zealand's revenues increased by 9% or by 1% in constant currency.

Switzerland's revenues declined by 6% or by 11% in constant currency in the first six months of 2012 compared to the same period in 2011.

Emerging Markets continued to perform strongly in the first six months of 2012 with revenues up 14% in constant currency, mainly driven by Latin America and India.

In the first six months of 2012, revenues of Lee Hecht Harrison ("LHH"), Adecco's career transition and talent development business, amounted to EUR 157, an increase of 44% or 1% organically. Operating income amounted to EUR 42 and the operating income margin was 26.9%.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1.3 Business line performance

The business line breakdown of revenues for the six months ended June 30, 2012 and June 30, 2011 is presented below:

in EUR	2012	2011	Variance %	
			EUR	Constant currency
Revenues¹				
Office	2,722	2,606	4	0
Industrial	4,959	5,216	(5)	(6)
General Staffing	7,681	7,822	(2)	(4)
Information Technology ²	1,196	1,057	13	7
Engineering & Technical ²	576	504	14	9
Finance & Legal	378	362	4	(1)
Medical & Science ²	200	189	6	3
Professional Staffing²	2,350	2,112	11	6
Solutions²	199	147	36	30
Adecco Group²	10,230	10,081	1	(1)

¹ Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. Solutions include revenues from Human Capital Solutions, Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS").

² In the first six months of 2012, revenues changed organically in Information Technology by 4%; in Engineering & Technical by 3%; in Medical & Science by 0%; in Professional Staffing by 3%; in Solutions by 2%; and in Adecco Group by -2%.

General Staffing

The Company's Office and Industrial businesses which represented 74% of total revenues in the first six months of 2012 amounted to EUR 7,681, a decrease of 2% or 4% in constant currency compared to the first six months of 2011.

In the Industrial business, revenues decreased by 5% or by 6% in constant currency. In France, revenues decreased by 12%. In North America, revenues decreased by 1% in constant currency, and in Italy revenues decreased by 9%, whereas Germany & Austria reported a revenue increase of 7%. Revenues in France, Germany & Austria, North America, and Italy comprised over 70% of the Industrial business.

In the Office business, revenues increased by 4% or were flat in constant currency. In constant currency, the UK & Ireland reported a revenue decline of 2%, whereas revenues in North America grew by 5% in constant currency. In Japan, revenues decreased by 4% and in the Nordics, revenues decreased by 3%, both in constant currency. The combined revenues from these four segments represented over 55% of the Office business revenues.

Information Technology

In Information Technology, revenues increased by 13% or by 4% organically. Revenues in the UK & Ireland increased by 14% in constant currency, while in North America, revenues decreased by 4% in constant currency. The UK & Ireland and North America comprised approximately 70% of the Information Technology business line's revenues. Information Technology represented 12% of the Company's revenues in the first six months of 2012.

Engineering & Technical

In the first six months of 2012, revenues in the Engineering & Technical business increased by 14% or by 3% organically. In North America, revenues decreased by 1% in constant currency, while revenues in Germany & Austria increased by 10%. North America and Germany & Austria comprised over 70% of Engineering & Technical revenues. Engineering & Technical represented 6% of the Company's revenues in the first six months of 2012.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

Finance & Legal

In Finance & Legal, revenues grew by 4% in the first six months of 2012 compared to the same period in 2011, or decreased by 1% in constant currency. The Finance & Legal businesses in North America and the UK & Ireland comprised over 75% of the business line's revenues. The Finance & Legal business line contributed 4% to the Company's revenues in the first six months of 2012.

Medical & Science

In the first six months of 2012, revenues in Medical & Science grew by 6% and remained flat organically.

Solutions

In Solutions, revenues increased by 36%, by 30% in constant currency, and by 2% organically in the first six months of 2012 compared to the same period last year.

2. Non-U.S. GAAP information and financial measures

The Company uses non-U.S. GAAP financial measures for management purposes. The principal non-U.S. GAAP financial measures discussed herein are net debt, constant currency, and organic growth comparisons, which are used in addition to, and in conjunction with results presented in accordance with U.S. GAAP.

Net debt, constant currency, and organic growth comparisons should not be relied upon to the exclusion of U.S. GAAP financial measures, but rather reflect additional measures of comparability and means of viewing aspects of the Company's operations that, when viewed together with the U.S. GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

Because net debt, constant currency, and organic growth comparisons are not standardised, it may not be possible to compare the Company's measures with other companies' non-U.S. GAAP financial measures having the same or a similar name. Management encourages investors to review the Company's financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

Management monitors outstanding debt obligations by calculating net debt. Net debt comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

Constant currency comparisons are calculated by multiplying the prior year functional currency amount by the current year foreign currency exchange rate. Management believes that constant currency comparisons are important supplemental information for investors because these comparisons exclude the impact of changes in foreign currency exchange rates, which are outside the Company's control, and focus on the underlying growth and performance.

Organic growth figures exclude the impact of currency, acquisitions, and divestitures. Management believes that organic growth comparisons are important supplemental information because these comparisons exclude the impact of changes resulting from foreign currency exchange rates fluctuations, acquisitions, and divestitures.

3. Cash flow, net debt and Days Sales Outstanding ("DSO")

Cash flows from operating activities amounted to EUR 81 in the first six months of 2012, compared to cash used in operating activities of EUR 30 in the same period of 2011. Cash used in investing activities amounted to EUR 174 in the first six months of 2012 and included EUR 87 net cash paid for VSN Inc and EUR 48 capital expenditures. This compared to cash used in investing activities of EUR 97 in the first six months of 2011 which included EUR 50 capital expenditures. Cash used in financing activities totalled EUR 11 in the first six months of 2012 and included payment of dividends of EUR 256, as well as net inflows of EUR 260 related to the net increase in short- and long-term debt. In the first six months of 2011, cash used in financing activities amounted to EUR 21 and included payment of dividends of EUR 149 and purchase of treasury shares of EUR 134, mostly offset by net inflows of EUR 259 related to the net increase of short- and long-term debt.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

Net debt increased by EUR 352 to EUR 1,244 at the end of June 2012 compared to December 2011, mainly due to the payment of dividends (EUR 256), the acquisition of VSN (EUR 87), capital expenditures (EUR 48), partly offset by EUR 81 cash flows from operating activities.

DSO was 54 days in the first six months of 2012 compared to 55 days in the first six months of 2011.

4. Outlook

In June, the Company's revenues declined by 3% organically and adjusted for business days. While the revenue decline rate during Q2 2012 was relatively stable, the revenue development in July was slightly weaker, mainly driven by France and Japan. Geographically, developments continue to be diverse. Europe is weakening further. On the other hand, business in North America is accelerating, also driven by the IT Professional Staffing business. In the Emerging Markets, revenue growth continues to be healthy.

Given these diverging economic trends, price discipline and a proactive approach to cost management are key. The gross margin improvement in Q2 2012 reflects management's focus on profitability and value creation. In Q3 2012, SG&A is expected to remain approximately in line with Q2 2012, on an organic basis and before restructuring costs. In the second half of 2012, the Company plans to invest approximately EUR 10 related to the full consolidation of several data centres in North and South America. The plans in France to merge the networks of Adecco and Adia under the single Adecco brand are fully on track. The Company is convinced that the total expected investments of EUR 45 in France will result in an even better offering for the Company's customers and will ensure sustainable and leading profitability.

Building on its strategic priorities, the Company continues to focus its efforts on constantly improving its HR solutions, delivery models and the cost base, and the Company remains convinced that it will achieve an EBITA¹ margin of over 5.5% midterm.

5. Forward-looking statements

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Half Year Report are based on information available to the Company as of August 8, 2012, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Half Year Report are not guarantees of future performance and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- changes in regulation 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; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

¹ EBITA is a non-U.S. GAAP measure and refers to operating income before amortisation of intangible assets.

Adecco Group – Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2012 (unaudited)	31.12.2011
Assets			
Current assets:			
• Cash and cash equivalents		447	532
• Short-term investments		2	2
• Trade accounts receivable, net		3,914	3,725
• Other current assets		403	424
Total current assets		4,766	4,683
Property, equipment, and leasehold improvements, net		311	313
Other assets		331	310
Intangible assets, net	2	603	593
Goodwill	2	3,572	3,455
Total assets		9,583	9,354
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses		3,548	3,545
• Short-term debt and current maturities of long-term debt	3	551	236
Total current liabilities		4,099	3,781
Long-term debt, less current maturities	3	1,142	1,190
Other liabilities		528	572
Total liabilities		5,769	5,543
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares		118	118
• Additional paid-in capital	4	2,196	2,459
• Treasury shares, at cost	4	(706)	(706)
• Retained earnings		2,301	2,080
• Accumulated other comprehensive income/(loss), net	4	(98)	(143)
Total Adecco shareholders' equity		3,811	3,808
Noncontrolling interests		3	3
Total shareholders' equity		3,814	3,811
Total liabilities and shareholders' equity		9,583	9,354

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

Adecco Group – Consolidated statements of operations (unaudited)

in millions, except share and per share information

<i>For the six months ended June 30 (in EUR)</i>	Note	2012	2011
Revenues	11	10,230	10,081
Direct costs of services		(8,397)	(8,351)
Gross profit		1,833	1,730
Selling, general, and administrative expenses		(1,466)	(1,359)
Amortisation of intangible assets		(27)	(27)
Operating income	11	340	344
Interest expense		(37)	(32)
Other income/(expenses), net	8	(11)	(11)
Income before income taxes		292	301
Provision for income taxes	9	(67)	(59)
Net income		225	242
Net income attributable to noncontrolling interests		(1)	(1)
Net income attributable to Adecco shareholders		224	241
Basic earnings per share	10	1.19	1.26
Basic weighted-average shares	10	189,146,648	191,864,453
Diluted earnings per share	10	1.19	1.26
Diluted weighted-average shares	10	189,249,654	191,989,599

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

Adecco Group – Consolidated statements of comprehensive income (unaudited)

in millions, except share and per share information

<i>For the six months ended June 30 (in EUR)</i>	2012	2011
Net income	225	242
Other comprehensive income/(loss), net of tax:		
• Currency translation adjustment	44	(170)
• Pension-related adjustments	1	
• Change in fair value of cash flow hedges		2
Total other comprehensive income/(loss)	45	(168)
Total comprehensive income	270	74
Less comprehensive income attributable to noncontrolling interests	(1)	(1)
Comprehensive income attributable to Adecco shareholders	269	73

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

Adecco Group – Consolidated statements of cash flows (unaudited)

in millions, except share and per share information

<i>For the six months ended June 30 (in EUR)</i>	2012	2011
Cash flows from operating activities		
Net income	225	242
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	81	73
• Other charges	13	3
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(155)	(400)
• Accounts payable and accrued expenses	(27)	85
• Other assets and liabilities	(56)	(33)
Cash flows from/(used in) operating activities	81	(30)
Cash flows from investing activities		
Capital expenditures	(48)	(50)
Acquisition of VSN, net of cash acquired	(87)	
Cash settlements on derivative instruments	(12)	(47)
Other acquisition and investing activities	(27)	
Cash used in investing activities	(174)	(97)
Cash flows from financing activities		
Net increase in short-term debt	21	143
Borrowings of long-term debt, net of issuance costs	288	330
Repayment of long-term debt	(49)	(214)
Dividends paid to shareholders	(256)	(149)
Purchase of treasury shares, net of disposals	(12)	(134)
Cash settlements on derivative instruments	(3)	2
Other financing activities		1
Cash used in financing activities	(11)	(21)
Effect of exchange rate changes on cash	19	(18)
Net decrease in cash and cash equivalents	(85)	(166)
Cash and cash equivalents:		
• Beginning of year	532	549
• End of period	447	383

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

Adecco Group – Consolidated statements of changes in shareholders' equity (unaudited)

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2012	118	2,459	(706)	2,080	(143)	3	3,811
Comprehensive income:							
Net income				224		1	225
Other comprehensive income/(loss)					45		45
Total comprehensive income							270
Stock-based compensation		7					7
Treasury shares transactions		(14)		(3)			(17)
Cash dividends, CHF 1.80 per share		(256)					(256)
Acquisition of noncontrolling interests						(1)	(1)
June 30, 2012	118	2,196	(706)	2,301	(98)	3	3,814

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2011	118	2,602	(532)	1,561	(184)	2	3,567
Comprehensive income:							
Net income				241		1	242
Other comprehensive income/(loss)					(168)		(168)
Total comprehensive income							74
Stock-based compensation		5					5
Treasury shares transactions		(4)	(134)				(138)
Cash dividends, CHF 1.10 per share		(149)					(149)
June 30, 2011	118	2,454	(666)	1,802	(352)	3	3,359

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

Adecco Group – Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

Note 1 • Summary of significant accounting policies

Basis of presentation and principles of consolidation

The consolidated half year financial statements include Adecco S.A., a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which Adecco is considered the primary beneficiary (collectively, the “Company”).

The consolidated subsidiaries include all majority-owned subsidiaries of the Company except for the variable interest entity Adecco Investment (Bermuda) Ltd (“Adecco Investment”). On November 26, 2009, Adecco Investment, a wholly owned subsidiary of the Company which is not consolidated, issued CHF 900 Senior Secured Limited Recourse Mandatory Convertible Bonds (“MCB”) due on November 26, 2012. The bonds will convert at maturity into shares of Adecco S.A., or at the option of the holders or Adecco Investment, the bonds may be converted into shares of Adecco S.A. at any time 41 days after November 26, 2009 until the 30th dealing day prior to the maturity date. The number of shares to be delivered at maturity will be calculated based on the closing price of the shares of Adecco S.A. As of June 30, 2012, the minimum conversion price is CHF 46.98 per share (CHF 50.50 per share at issuance of the MCB) and the maximum conversion price is CHF 56.37 per share (CHF 60.60 per share at issuance of the MCB). The conversion prices have been adjusted for dividend payments on the shares of Adecco S.A. during the lifetime of the MCB. As of June 30, 2012, the maximum number of shares to be delivered is 19,157,088 (17,821,782 shares at issuance of the MCB) and the minimum number of shares to be delivered is 15,965,939 (14,851,485 shares at issuance of the MCB). If the holders or Adecco Investment exercise their conversion option prior to maturity, the conversion will occur at the maximum or the minimum conversion price, respectively. The bonds have an annual coupon of 6.5%.

Adecco Investment entered into a prepaid forward contract (“prepaid forward”) with the Company, where it originally acquired 17,821,782 shares of the Company for EUR 587 (CHF 887), net of costs. The strike price of the prepaid forward is adjusted for dividend payments on the shares of Adecco S.A., and the number of shares deliverable under the prepaid forward amounts to 19,157,088 as of June 30, 2012. Adecco Investment will receive the shares of Adecco S.A. from the Company with the settlement of the prepaid forward. The shares can be delivered out of treasury shares or conditional capital at the discretion of the Company. Adecco Investment financed the coupon payments with EUR 108 (CHF 164) from

the sale of a call spread option (“call spread option”) to Adecco Financial Services (Bermuda) Ltd, a wholly owned consolidated subsidiary of the Company. The call spread option gives the Company the right to benefit from appreciation of the shares underlying the prepaid forward between floor and cap defined in the agreement. The call spread option is settled in shares, reducing the net number of shares the Company has to deliver in combination with the prepaid forward. In addition, in 2009, the Company made a payment of EUR 8 (CHF 12) to Adecco Investment, which was treated as a deemed capital contribution. The number of shares underlying the prepaid forward, the call spread option, and the MCB are subject to anti-dilution provisions. The bondholders only have recourse against the prepaid forward. Subsequently, Adecco Investment granted a loan of CHF 176 (EUR 116) to the Company, of which CHF 147 (EUR 117) have been repaid by June 30, 2012.

The Company has a variable interest in Adecco Investment related to the call spread option. The assets of Adecco Investment consist of the prepaid forward and a loan to the Company (including interest) of CHF 34 (EUR 28) as of June 30, 2012 and CHF 92 (EUR 76) as of December 31, 2011. The call spread option only absorbs variability caused by changes in the fair value of the shares to be delivered by the Company under the prepaid forward and therefore the Company is not exposed to any overall variability due to the call spread option. The prepaid forward and the call spread option are recorded as equity instruments in the Company’s consolidated financial statements. The Company also owns the common shares of Adecco Investment in the amount of USD 10 thousand and a deemed capital contribution of EUR 8 (CHF 12), which is not a variable interest because these investments are not at risk as they were loaned back to the Company. As of June 30, 2012 and December 31, 2011, the Company had an investment in Adecco Investment with a carrying amount of EUR 5 recorded within other assets. The Company does not consolidate Adecco Investment because it does not have an obligation to absorb any losses or the right to receive any benefits which do not result from an equal and offsetting gain or loss incurred by the Company through the prepaid forward and the loan agreement described above.

The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2011 and for the year then ended (except as noted below under “New accounting guidance”).

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Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2011 have been condensed or omitted. As a result, the financial information in the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Financial Review, the Corporate Governance, and the Remuneration Report for the fiscal year ended December 31, 2011.

The reporting currency of the Company is the Euro, which reflects the significance of the Company's Euro-denominated operations. Adecco S.A.'s share capital is denominated in Swiss Francs and the Company declares and pays dividends in Swiss Francs.

In the opinion of management, the consolidated half year financial statements reflect all adjustments necessary to present fairly the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of cash flows, the consolidated statements of changes in shareholders' equity, and the accompanying notes.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated half year financial statements and accompanying notes. The results of these estimates form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

New accounting guidance

In May 2011, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on Fair Value Measurement. This guidance modifies certain principles for measuring fair value, clarifies existing concepts, and requires additional disclosures. This guidance is effective for fiscal years beginning after December 15, 2011. The adoption of this guidance on January 1, 2012 did not have a significant impact on the consolidated financial statements.

In June 2011, the FASB issued new accounting guidance regarding the presentation of comprehensive income. This was revised in a further update in December 2011. The new guidance requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted this guidance on January 1, 2012 and has elected to present two separate consecutive statements.

In September 2011, the FASB issued Accounting Standards Update ("ASU") 2011-08, "Intangibles – Goodwill and Other" ("ASU 2011-08"). Under the amendments of ASU 2011-08, an entity is permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The adoption of this guidance on January 1, 2012 did not have any impact on the consolidated financial statements.

Note 2 • Acquisitions

The Company has made several acquisitions in the first six months of 2012. None of the acquisitions are considered material, individually or in the aggregate, to its consolidated balance sheets or results of operations.

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The following table illustrates the aggregate impact of the acquisitions made in the first six months of 2012:

<i>in EUR</i>	2012
Impact of acquisitions	
Net tangible assets acquired	41
Identified intangible assets	36
Goodwill	85
Deferred tax liabilities	(13)
Total consideration	149

In 2012, the Company acquired all outstanding common shares of VSN Inc (“VSN”), a leading provider of professional staffing services in Japan, for EUR 87, net of EUR 34 cash acquired. As a result of this acquisition, EUR 66 and EUR 27 of goodwill and intangible assets, respectively, were recorded.

The purchase price was funded with internal resources. VSN was consolidated by the Company as of January 6, 2012, and the results of VSN's operations have been included in the consolidated financial statements since January 2012.

Note 3 - Financing arrangements

The Company's long-term and short-term debt as of June 30, 2012, amounted to EUR 1,693 compared to EUR 1,426 as of December 31, 2011. Short-term debt as of June 30, 2012 amounted to EUR 183 and consisted of borrowings under the

French commercial paper programme and under other lines of credit. Short-term debt as of December 31, 2011 amounted to EUR 160.

Long-term debt

The Company's long-term debt as of June 30, 2012 and December 31, 2011 consists of the following:

<i>in EUR</i>	Principal at maturity	Maturity	Fixed interest rate	30.06.2012	31.12.2011
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	491	489
4-year unsubordinated fixed rate notes	CHF 350	2016	2.125%	291	
5-year guaranteed Euro medium-term notes	EUR 356	2014	7.625%	358	358
7-year fixed rate guaranteed notes	EUR 333	2013	4.5%	339	341
Medium-term loan, payable in instalments by November 2012				28	76
Other				3	2
				1,510	1,266
Less current maturities				(368)	(76)
Long-term debt, less current maturities				1,142	1,190

4-year unsubordinated fixed rate notes

On February 8, 2012, Adecco S.A. issued CHF 350 unsubordinated fixed rate notes due on February 8, 2016 (“2016 notes”). The 2016 notes were issued within the framework of the Euro

Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds are used for general corporate purposes. Interest is paid on the 2016 notes annually in arrears at a fixed annual rate of 2.125%.

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Note 4 - Shareholders' equity

Authorised shares and appropriation of available earnings

As of June 30, 2012 and December 31, 2011, Adecco S.A. had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of June 30, 2012 and December 31, 2011, Adecco S.A. was authorised by its shareholders to issue up to 15,400,000 shares of conditional capital in connection with the issuance of financial instruments, principally convertible bonds. The shares represent conditional capital authorised without time limitation and remain available for share issuance upon conversion of financial instruments issued or to be issued in the future.

In the first six months of 2012, the number of treasury shares acquired, net of disposals, totalled 396,324 and the net consideration paid amounted to EUR 12. Whereas in the same period of 2011, the Company purchased 3,073,000 treasury shares for a consideration of EUR 138 (including EUR 4 paid in July 2011). During the six months ended June 30, 2012 and the six months ended June 30, 2011, the Company used 280,169 and 96,506 treasury shares, respectively to fulfil its obligations under the employee long-term incentive plan. Furthermore, in the first six months of 2012 and the first six months of 2011, 6,555 and 4,697 treasury shares, respectively were awarded to the Chairman of the Board of Directors as part of his compensation package. In addition, during the six months ended

June 30, 2011, 172 stock options were exercised. No stock options were exercised in the first six months of 2012.

The Annual General Meeting of Shareholders of Adecco S.A. was held on April 24, 2012. The shareholders approved a dividend of CHF 1.80 per share in respect of the fiscal year 2011. The entire dividends of EUR 256 were allocated from Adecco S.A.'s reserve from capital contributions (subaccount of general reserves) to free reserves and subsequently distributed to shareholders in the second quarter of 2012. The statutory reserve from capital contributions is classified as additional paid-in capital in the consolidated balance sheet.

Additional paid-in capital

During 2009, the Company sold a prepaid forward on Adecco S.A. shares for EUR 587 (CHF 887), net of costs, and purchased a call spread option for EUR 108 (CHF 164) from its wholly owned, non-consolidated subsidiary Adecco Investment as described in Note 1. The prepaid forward and the call spread option are indexed to and settled in the Company's own shares and therefore are accounted for as equity instruments included in additional paid-in capital. The strike prices of both instruments have been reduced whenever the Company made a dividend distribution by a fraction determined as follows: (share price excluding dividend minus dividend per share) divided by (share price excluding dividend). In 2012, the strike prices of both instruments were reduced due to the dividend distribution made by the Company in the second quarter.

The initial and current terms of these contracts are as follows:

	Sold prepaid forward		Purchased call spread option	
	Initial	30.06.2012	Initial	30.06.2012
Forward/strike price	CHF 50.50, received on November 26, 2009	CHF 46.98	Lower call price = CHF 50.50 Upper call price = CHF 60.60	Lower call price = CHF 46.98 Upper call price = CHF 56.37
Number of shares to which the contract is indexed	17,821,782 initial underlying shares	19,157,088 underlying shares	17,821,782 initial underlying shares	19,157,088 underlying shares
Maximum number of shares to be delivered	17,821,782 subject to dividend and other anti-dilution adjustments	19,157,088 subject to dividend and other anti-dilution adjustments	2,970,297 subject to dividend and other anti-dilution adjustments	3,191,149 subject to dividend and other anti-dilution adjustments

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Accumulated other comprehensive income/(loss), net

The components of accumulated other comprehensive income/(loss), net of tax, are as follows:

<i>in EUR</i>	30.06.2012	31.12.2011
Currency translation adjustment	(66)	(110)
Unrealised gain on cash flow hedging activities	2	2
Pension-related adjustments	(34)	(35)
Accumulated other comprehensive income/(loss), net	(98)	(143)

Note 5 - Employee benefit plans

For the six months ended June 30, 2012 and June 30, 2011, estimated net pension expense for the defined benefit plans is as follows:

<i>in EUR</i>	Swiss plan		Non-Swiss plans	
	2012	2011	2012	2011
Components of pension expense				
Service cost	6	5	2	2
Interest cost	2	2	3	2
Expected return on plan assets	(3)	(3)	(2)	(2)
Amortisation of prior years' service costs			1	
Amortisation of net (gain)/loss	1			
Pension expense, net	6	4	4	2

Note 6 - Financial instruments

In accordance with Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging" ("ASC 815"), all derivative instruments are initially recognised at fair value as either other current assets, other assets, accounts payable and accrued expenses, or other liabilities in the accompanying consolidated balance sheets regardless of the purpose or intent for holding the derivative instruments. The derivatives are subsequently remeasured to fair value at the end of each reporting period. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the consolidated statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is initially

recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item. For derivative instruments designated and qualifying as net investment hedges, changes in the fair value of the derivative instruments are recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity to the extent they are considered effective. These gains or losses will remain in equity until the related net investment is sold or otherwise disposed. The cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

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For derivative instruments that are not designated or that do not qualify as hedges under ASC 815, the changes in the fair value of the derivative instruments are recognised in other income/(expenses), net, within the consolidated statements of operations. Any cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

Risk and use of derivative instruments

The Company conducts business in various countries and funds its subsidiaries in various currencies, and is therefore exposed to the effects of changes in foreign currency exchange rates. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments. The Company has also issued fixed rate long-term notes. Accordingly, the Company manages exposure to changes in fair value of fixed interest long-term debt through the use of derivative instruments.

The main objective of holding derivative instruments is to minimise the volatility of earnings arising from these exposures in the absence of natural hedges. The responsibility for assessing exposures as well as entering into and managing derivative instruments is centralised in the Company's treasury department. The activities of the treasury department are covered by corporate policies and procedures approved by the Board of Directors, which generally limit the use of derivative instruments for trading and speculative purposes. Group management approves the hedging strategy and monitors the underlying market risks.

Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of June 30, 2012 and December 31, 2011:

<i>in EUR</i>	30.06.2012		31.12.2011	
	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	447	447	532	532
• Short-term investments	2	2	2	2
• Trade accounts receivable, net	3,914	3,914	3,725	3,725
Current liabilities:				
• Accounts payable	601	601	541	541
• Short-term debt	183	183	160	160
• Current maturities of long-term debt (Level 1)	368	371	76	76
Non-current liabilities:				
• Long-term debt (Level 1)	1,142	1,222	1,190	1,236

The Company uses the following methods and assumptions to estimate the fair value of each class of non-derivative financial instruments:

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt
The carrying amount approximates the fair value given the short maturity of such instruments.
- Short-term investments
The fair value for these instruments is based on quoted market prices.

- Long-term debt, including current maturities
The fair value of the Company's publicly traded long-term debt is estimated using quoted market prices. The fair value of other long-term debt is estimated by discounting future cash flows using interest rates currently available for similar debt with identical terms, similar credit ratings, and remaining maturities.

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Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of June 30, 2012 and December 31, 2011:

in EUR	Balance sheet location	Notional amount		Fair value	
		30.06.2012	31.12.2011	30.06.2012	31.12.2011
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other current assets	150		4	
• Interest rate swaps	Other assets	175	425	5	13
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	563	1,071	8	48
• Cross-currency interest rate swaps	Other current assets	43	209	3	16
• Cross-currency interest rate swaps	Other assets		42		4
• Interest rate swaps	Other current assets	150		3	
• Interest rate swaps	Other assets		50		2
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Accounts payable and accrued expenses	957	787	(10)	(38)
• Interest rate swaps	Accounts payable and accrued expenses	150		(1)	
• Interest rate swaps	Other liabilities		50		(1)
• Interest rate swaption	Accounts payable and accrued expenses	50		(2)	
• Interest rate swaption	Other liabilities		50		(1)
Total net derivatives				10	43

In addition, accrued interest receivable on interest rate swaps of EUR 2 and EUR 10 was recorded in other current assets as of June 30, 2012 and December 31, 2011, respectively. Accrued interest payable on cross-currency interest rate swaps and interest rate swaps of EUR 2 was recorded in accounts payable and accrued expenses as of December 31, 2011, whereas the accrued interest payable on cross-currency interest rate swaps and interest rate swaps as of June 30, 2012 was not significant.

The fair value of interest rate swaps, foreign currency contracts, cross-currency interest rate swaps, and interest rate

swaption is calculated by using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap ("CDS") applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of June 30, 2012 and December 31, 2011, the total impact of non-performance risk and liquidity risk was a loss of EUR 1 and EUR 4, respectively.

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Fair value hedges

Interest rate swaps with a notional amount of EUR 150 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the EUR 333 7-year fixed rate guaranteed notes due 2013 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of four to seven years and expire in 2013.

Interest rate swaps with a notional amount of EUR 125 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the EUR 356 5-year guaranteed Euro medium-term notes due 2014 issued by Adecco International Financial Services BV. The contracts have an original contract period of three to five years and expire in 2014.

Interest rate swaps with a notional amount of EUR 50 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the EUR 500 7-year guaranteed Euro medium-term notes due 2018 issued by Adecco International Financial Services BV. The outstanding contract has an original contract period of six years and expires in 2018.

For the six months ended June 30, 2012 and June 30, 2011, the gain and loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting loss and gain on the related interest rate swaps, both reported as interest expense, are as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings		Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings	
		2012	2011			2012	2011
Interest rate swaps	Interest expense		(8)	Long-term debt	Interest expense		8

In addition, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in the first six months of 2012 or in the first six months of 2011, due to ineffectiveness in fair value hedge relationships. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2012 or the first six months of 2011.

Cash flow hedges

No significant gains or losses on cash flow hedges were recognised in other comprehensive income/(loss) as of June 30, 2012. The effective portion of gains on cash flow hedges that was recognised in other comprehensive income/(loss), net, amounted to EUR 2 as of June 30, 2011. As of June 30, 2012 and December 31, 2011, gains relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 2 in both periods. No significant gains or losses were recorded in the first six months of 2012 or the first six months of 2011, due to ineffectiveness in cash flow hedge relationships. In the first six months of 2012 and the first six months of 2011, no significant gains or losses were excluded from the assessment of hedge effectiveness of the cash flow hedges. No significant reclassifications into earnings of gains and losses that are reported in

accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

Net investment hedges

As of June 30, 2012 and December 31, 2011, the net loss relating to net investment hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 75 and EUR 74, respectively, resulting from net investment hedges terminated in 2005. No reclassifications of losses reported in accumulated other comprehensive income/(loss), net, into earnings are expected within the next 12 months.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Forward foreign currency contracts and cross-currency interest rate swaps are used to hedge the net exposure of subsidiary funding advanced in the local operations' functional currency. Contracts are entered into in accordance with the approved treasury policies and procedures and represent economic hedges. Gains and losses on these contracts are recognised in earnings and are included in other income/(expenses), net, in the accompanying consolidated statements of operations.

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In connection with these activities, the Company recorded a net loss of EUR 1 in both the six months ended June 30, 2012 and the six months ended June 30, 2011, as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings		Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings	
		2012	2011			2012	2011
Cross-currency interest rate swaps	Other income/ (expenses), net		21	Loans and receivables to/ from subsidiaries	Other income/ (expenses), net		(22)
Foreign currency contracts	Other income/ (expenses), net	(20)	(46)	Cash, loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	19	46

In the six months ended June 30, 2012, an expense of EUR 1 was recorded in other income/(expenses), net, related to swaption not designated as hedging instruments under ASC 815. No significant amounts were included in other income/(expenses), net, for the six months ended June 30, 2011 in relation to interest rate swaps and swaption not designated as hedging instruments under ASC 815.

Credit risk concentration

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions through-

out the world, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

Credit risk with respect to trade accounts receivable is dispersed due to the international nature of the business, the large number of customers, and the diversity of industries serviced. The Company's receivables are well diversified and management performs credit evaluations of its customers and, where available and cost-effective, utilises credit insurance.

To minimise counterparty exposure on derivative instruments, the Company enters into derivative contracts with several large multinational banks and limits the exposure in combination with the short-term investments with each counterparty.

Note 7 - Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011, consistent with

the fair value hierarchy provisions of ASC 820 "Fair Value-Measurements and Disclosures":

in EUR	Level 1	Level 2	Level 3	Total
June 30, 2012				
Assets				
Available-for-sale securities	2			2
Derivative assets		25		25
Liabilities				
Derivative liabilities		13		13
December 31, 2011				
Assets				
Available-for-sale securities	2			2
Derivative assets		93		93
Liabilities				
Derivative liabilities		42		42

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Note 8 • Other income/(expenses), net

For the six months ended June 30, 2012 and the six months ended June 30, 2011, other income/(expenses), net, consist of the following:

<i>in EUR</i>	2012	2011
Foreign exchange gain/(loss), net	(1)	(1)
Interest income	3	2
Proportionate net income of investee companies	1	1
Other non-operating income/(expenses), net	(14)	(13)
Total other income/(expenses), net	(11)	(11)

In the first six months of 2012, other non-operating income/(expenses), net included a loss of EUR 15 related to the sale of a business in North America at the end of June 2012. In the

first six months 2011, other non-operating income/(expenses), net included a loss of EUR 11 related to the bond tender completed in April 2011.

Note 9 • Income taxes

Adecco S.A. is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside of Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2012 were provided at a rate of 23%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2011, the tax rate was 20%.

The income tax rate in the first six months of 2012 and in the first six months of 2011 includes the positive impact of EUR 26 and EUR 32, respectively, from the successful resolution of prior years' audits and tax disputes and the expiration of the statute of limitations in several jurisdictions.

As of June 30, 2012, the total amount of unrecognised tax benefits recorded decreased by EUR 23 compared to December 31, 2011 as a result of the settlement of tax audits and tax disputes, and the application of the statute of limitations in several jurisdictions. This was partly offset by current year additions and fluctuations in the exchange rates. As of June 30, 2011, the total amount of unrecognised tax benefits recorded

decreased by EUR 29 compared to December 31, 2010 as a result of the settlement of tax audits, fluctuations in the exchange rates and the application of the statute of limitations in several jurisdictions. This was partly offset by additions for 2011.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statutes of limitations. Based on the outcome of examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change from those recorded as liabilities for uncertain tax positions in the Company's financial statements. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

Significant estimates are required in determining income tax expense and benefits. Various internal and external factors may have favourable or unfavourable effects on the future effective tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits, and changes in the overall level of pre-tax earnings.

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Note 10 · Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2012 and June 30, 2011:

in EUR (except number of shares)	2012		2011	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income attributable to Adecco shareholders	224	224	241	241
Net income available for earnings per share calculation	224	224	241	241
Denominator				
Weighted-average outstanding shares	170,512,725	170,512,725	173,697,598	173,697,598
Weighted-average shares deliverable under prepaid forward	18,633,923	18,633,923	18,166,855	18,166,855
Weighted-average shares	189,146,648	189,146,648	191,864,453	191,864,453
Incremental shares for assumed conversions:				
• Employee stock-based compensation		103,006		125,146
Total average equivalent shares	189,146,648	189,249,654	191,864,453	191,989,599
Per share amounts				
Net earnings per share	1.19	1.19	1.26	1.26

The weighted-average shares include 18,633,923 and 18,166,855 shares as of June 30, 2012 and June 30, 2011, respectively deliverable under the prepaid forward with Adecco Investment. The exercise price of the prepaid forward has been reduced proportionally for each dividend distribution to common shareholders, as described in Note 1, which represents participation rights of the prepaid forward.

Stock options of 102,040 as of June 30, 2012 and 397,501 as of June 30, 2011 were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive.

Note 11 · Segment reporting

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

The Company evaluates the performance of its segments based on operating income before amortisation of intangible assets, which is defined as the amount of income before amortisation of intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, other assets, intangible assets, net, and goodwill. The accounting principles used for the segment reporting are those used by the Company.

Adecco Group – Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

in EUR	France	North America ¹	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	Other ¹	Corporate	Total
Six months ended June 30, 2012										
Revenues	2,646	1,876	929	786	810	477	452	2,254		10,230
Depreciation	(10)	(8)	(3)	(4)	(9)	(2)	(3)	(11)	(4)	(54)
Operating income before amortisation of intangible assets	68	83	14	43	48	26	15	119	(49)	367
Amortisation of intangible assets										(27)
Operating income										340
Interest expense, and other income/(expenses), net										(48)
Provision for income taxes										(67)
Net income										225
Segment assets	1,673	2,203	771	1,858	423	216	303	1,908	228	9,583

in EUR	France	North America ¹	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	Other ¹	Corporate	Total
Six months ended June 30, 2011										
Revenues	3,004	1,728	817	738	682	520	469	2,123		10,081
Depreciation	(9)	(8)	(4)	(4)	(4)	(2)	(3)	(9)	(3)	(46)
Operating income before amortisation of intangible assets	94	66	15	48	40	34	20	93	(39)	371
Amortisation of intangible assets										(27)
Operating income										344
Interest expense, and other income/(expenses), net										(43)
Provision for income taxes										(59)
Net income										242
Segment assets	1,792	1,972	722	1,854	258	219	322	1,533	242	8,914

¹ Since May 1, 2012, Mexico previously included in North America, is reported under Other. The 2011 information has been restated to conform to the current year presentation.

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Note 12 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 724, including those letters of credit issued under the multicurrency revolving credit facility (EUR 71). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties, then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

In the ordinary course of business, the Company is involved in various legal actions and claims, including those related to social security charges, other payroll-related charges, and various employment-related matters. Although the outcome of the legal proceedings cannot be predicted with certainty, the Company believes it has adequately reserved for such matters.

Note 13 • Subsequent events

In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing the share capital. The share buyback commenced in mid-July 2012. As of August 8, 2012, the Company has acquired 280,000 shares under this programme for a total consideration of EUR 10.

On July 18, 2012, Adecco S.A. issued a CHF 250 long-term 5-year bond with a coupon of 1.875% and a CHF 125 long-term 8-year bond with a coupon of 2.625%, due on December 18, 2017 and December 18, 2020, respectively. The bonds were issued within the framework of the Euro Medium-Term Note Programme. The proceeds will be used to fund the planned share buyback programme described above.

The Company has evaluated subsequent events through August 8, 2012, the date the financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to August 8, 2012 that would have a material impact on the consolidated financial statements.

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