Adecco Group –
Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	31.12.2011	31.12.2010
Assets			
Current assets:			
• Cash and cash equivalents		532	549
• Short-term investments		2	5
• Trade accounts receivable, net	3	3,725	3,541
• Other current assets	14	424	351
Total current assets		**4,683**	**4,446**
Property, equipment, and leasehold improvements, net	4	313	291
Other assets	14	310	291
Intangible assets, net	2, 5	593	578
Goodwill	2, 5	3,455	3,273
Total assets		**9,354**	**8,879**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses:			
• Accounts payable		541	546
• Accrued salaries and wages		904	888
• Accrued payroll taxes and employee benefits		887	850
• Accrued sales and value added taxes		470	461
• Accrued income taxes		65	48
• Other accrued expenses	14	678	679
• Total accounts payable and accrued expenses	6	3,545	3,472
• Short-term debt and current maturities of long-term debt	7	236	217
Total current liabilities		**3,781**	**3,689**
Long-term debt, less current maturities	7	1,190	1,088
Other liabilities	6, 14	572	535
Total liabilities		**5,543**	**5,312**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares	8	118	118
• Additional paid-in capital	8	2,459	2,602
• Treasury shares, at cost	8	(706)	(532)
• Retained earnings		2,080	1,561
• Accumulated other comprehensive income/(loss), net	8	(143)	(184)
Total Adecco shareholders' equity		**3,808**	**3,565**
Noncontrolling interests		3	2
Total shareholders' equity		**3,811**	**3,567**
Total liabilities and shareholders' equity		**9,354**	**8,879**

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

Adecco Group –
Consolidated statements of operations

in millions, except share and per share information

For the fiscal years ended December 31 (in EUR)	Note	2011	2010	2009
Revenues	16	20,545	18,656	14,797
Direct costs of services		(16,979)	(15,327)	(12,148)
Gross profit		**3,566**	**3,329**	**2,649**
Selling, general, and administrative expenses	6	(2,752)	(2,607)	(2,350)
Amortisation of intangible assets	5	(51)	(55)	(42)
Impairment of goodwill and intangible assets	5			(192)
Operating income	16	**763**	**667**	**65**
Interest expense		(71)	(63)	(55)
Other income/(expenses), net	13	(6)	(1)	(1)
Income before income taxes		**686**	**603**	**9**
Provision for income taxes	14	(166)	(179)	(1)
Net income		**520**	**424**	**8**
Net income attributable to noncontrolling interests		(1)	(1)	
Net income attributable to Adecco shareholders		**519**	**423**	**8**
Basic earnings per share	15	**2.72**	**2.20**	**0.04**
Basic weighted-average shares	15	190,671,723	192,113,079	177,606,816
Diluted earnings per share	15	**2.72**	**2.17**	**0.04**
Diluted weighted-average shares	15	190,805,080	195,596,325	177,613,991

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

Adecco Group – Consolidated statements of cash flows

in millions, except share and per share information

For the fiscal years ended December 31 (in EUR)	2011	2010	2009
Cash flows from operating activities			
Net income	520	424	8
Adjustments to reconcile net income to cash flows from operating activities:			
• Depreciation and amortisation	144	142	123
• Impairment of goodwill and intangible assets			192
• Bad debt expense	16	12	16
• Stock-based compensation	12	5	1
• Deferred tax provision/(benefit)	(52)	5	(76)
• Tax impact of treasury shares valuation in Adecco S.A.			(22)
• Other, net	19	25	19
Changes in operating assets and liabilities, net of acquisitions:			
• Trade accounts receivable	(151)	(667)	577
• Accounts payable and accrued expenses	17	460	(393)
• Other assets and liabilities	(1)	49	32
Cash flows from operating activities	**524**	**455**	**477**
Cash flows from investing activities			
Capital expenditures	(109)	(105)	(92)
Proceeds from sale of property and equipment	4	1	1
Acquisition of DBM, net of cash acquired	(148)		
Acquisition of MPS, net of cash acquired		(831)	
Acquisition of Spring, net of cash acquired			(94)
Cash settlements on derivative instruments	(59)	(51)	(35)
Other acquisition and investing activities	(5)	(34)	(58)
Cash used in investing activities	**(317)**	**(1,020)**	**(278)**

For the fiscal years ended December 31 (in EUR)	2011	2010	2009
Cash flows from financing activities			
Borrowings of short-term debt under the commercial paper programme	919	295	
Repayment of short-term debt under the commercial paper programme	(927)	(145)	
Borrowings of short-term debt under the multicurrency revolving credit facility		346	
Repayment of short-term debt under the multicurrency revolving credit facility		(341)	
Other net increase/(decrease) in short-term debt	(1)	1	(43)
Borrowings of long-term debt, net of issuance costs	330		612
Repayment of long-term debt	(214)	(478)	(223)
Prepaid forward sale of Adecco S.A. shares			587
Purchase of call spread option on Adecco S.A. shares			(108)
Dividends paid to shareholders	(149)	(91)	(173)
Proceeds from sale/(purchase) of treasury shares	(178)	28	(3)
Cash settlements on derivative instruments	2		
Other financing activities	(6)		3
Cash flows from/(used in) financing activities	**(224)**	**(385)**	**652**
Effect of exchange rate changes on cash		**41**	**33**
Net increase/(decrease) in cash and cash equivalents	**(17)**	**(909)**	**884**
Cash and cash equivalents:			
• Beginning of year	549	1,458	574
• End of year	532	549	1,458
Supplemental disclosures of cash paid			
Cash paid for interest	56	95	22
Cash paid for income taxes	180	98	96

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

Adecco Group –
Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

In EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2009	**118**	**2,140**	**(558)**	**1,394**	**(301)**	**5**	**2,798**
Comprehensive income:							
Net income				8			8
Other comprehensive income/(loss):							
• Currency translation adjustment, net of tax					30		30
Total comprehensive income							**38**
Tax impact of treasury shares valuation in Adecco S.A.		(22)					(22)
Prepaid forward sale of Adecco S.A. shares		587					587
Purchase of call spread option on Adecco S.A. shares		(108)					(108)
Stock-based compensation		1					1
Treasury shares transactions			(3)				(3)
Cash dividends, CHF 1.50 per share				(173)			(173)
Acquisition of noncontrolling interests						(3)	(3)
Other		(1)					(1)
December 31, 2009	**118**	**2,597**	**(561)**	**1,229**	**(271)**	**2**	**3,114**
Comprehensive income:							
Net income				423		1	424
Other comprehensive income/(loss):							
• Currency translation adjustment, net of tax of EUR 6					94		94
• Pension-related adjustments, net of tax					(6)		(6)
• Change in fair value of cash flow hedges, net of tax					(1)		(1)
Total comprehensive income							**511**
Stock-based compensation		5					5
Treasury shares transactions			28				28
Cash dividends, CHF 0.75 per share				(91)			(91)
Acquisition of noncontrolling interests						(1)	(1)
Other			1				1
December 31, 2010	**118**	**2,602**	**(532)**	**1,561**	**(184)**	**2**	**3,567**
Comprehensive income:							
Net income				519		1	520
Other comprehensive income/(loss):							
• Currency translation adjustment, net of tax					56		56
• Pension-related adjustments, net of tax of EUR 6					(17)		(17)
• Change in fair value of cash flow hedges, net of tax					2		2
Total comprehensive income							**561**
Stock-based compensation		12					12
Vesting of RSU awards		(4)	4				
Treasury shares transactions			(178)				(178)
Cash dividends, CHF 1.10 per share		(149)					(149)
Other		(2)					(2)
December 31, 2011	**118**	**2,459**	**(706)**	**2,080**	**(143)**	**3**	**3,811**

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

Note 1 • The business and summary of significant accounting policies

Business

The consolidated 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 Company's principal business is providing human resource services including temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services to businesses and organisations throughout Europe, North America, Asia Pacific, South America, and Africa. At the end of 2011, the Company's worldwide network consists of over 5,500 branches and more than 33,000 full-time equivalent employees in over 60 countries and territories.

Since January 1, 2011, 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 segments consist of France, North America, UK & Ireland, Japan, Germany & Austria, Benelux, Italy, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. 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.

Basis of presentation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the provisions of Swiss law.

Reporting currency

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

Foreign currency translation

The Company's operations are conducted in various countries around the world and the financial statements of foreign subsidiaries are reported in the applicable foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the Euro, the reporting currency, for inclusion in the Company's consolidated financial statements. Income, expenses, and cash flows are translated at average exchange rates prevailing during the fiscal year or at transaction exchange rates, and assets and liabilities are translated at fiscal year end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity. Exchange gains and losses on intercompany balances that are considered permanently invested are also included in equity.

Principles of consolidation

The consolidated financial statements include 100% of the assets, liabilities, revenues, expenses, income, loss, and cash flows of Adecco S.A., its consolidated subsidiaries and entities for which the Company has been determined to be the primary beneficiary under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "Consolidation" ("ASC 810"). The consolidated subsidiaries include all majority-owned subsidiaries of the Company except for the variable interest entity Adecco Investment (Bermuda) Ltd ("Adecco Investment") – see below. Noncontrolling interests for entities fully consolidated but not wholly owned by the Company are accounted for in accordance with ASC 810 and are reported as a component of equity. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company records investments in affiliates over which it is able to exercise significant influence using the equity method of accounting. The cost method of accounting is applied for investments in entities which do not have readily determinable fair values and over which the Company is not able to exercise significant influence (generally investments in which the Company's ownership is less than 20%).

The Company accounts for variable interest entities ("VIEs") in accordance with ASC 810 which requires the consolidation of a VIE in which an entity is considered the primary beneficiary. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. An entity is required to perform a qualitative and a quantitative analysis to determine whether it has controlling financial interest in a VIE.

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 December 31, 2011, the minimum conversion price is CHF 48.95 per share (CHF 50.50 per share at issuance of the MCB) and the maximum conversion price is CHF 58.74 per share (CHF 60.60 per share at issuance of the MCB). The conversion prices will be adjusted for further dividend payments on the shares of Adecco S.A. during the lifetime of the MCB. As of December 31, 2011, the maximum number of shares to be delivered is 18,386,108 (17,821,782 shares at issuance of the MCB) and the minimum number of shares to be delivered is 15,321,757 (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%, which can be deferred in case no dividend payment is made on the shares of Adecco S.A.

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 18,386,108 as of December 31, 2011. 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 EUR 116 (CHF 176) to the Company, of which EUR 69 (CHF 89) have been repaid by December 31, 2011.

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 of EUR 76 (CHF 92) as of December 31, 2011 and EUR 119 (CHF 148) as of December 31, 2010. 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 December 31, 2011 and December 31, 2010, 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.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to allowance for doubtful accounts, accruals and provisions, impairment of goodwill and indefinite-lived intangible assets, contingencies, pension accruals, and income taxes. The Company bases its estimates on historical experience and on various other market specific assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Recognition of revenues

The Company generates revenues from sales of temporary staffing services, permanent placement services, outsourcing services, career transition (outplacement), and other services. Revenues are recognised on the accrual basis and are reported net of any sales taxes. Allowances are established for estimated discounts, rebates, and other adjustments and are recorded as a reduction of sales.

Revenues related to temporary staffing services are generally negotiated and invoiced on an hourly basis. Temporary associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Temporary staffing service revenues are recognised upon rendering the services.

Revenues related to permanent placement services are generally recognised at the time the candidate begins full-time employment, or as the fee is earned. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations.

Revenues related to outsourcing services (including Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS")), career transition (outplacement), and other services are negotiated with the client on a project basis and are recognised upon rendering the services. Revenues invoiced prior to providing services are deferred and recognised in other current liabilities until the services are rendered.

The Company presents revenues and the related direct costs of services in accordance with ASC 605-45, "Revenue Recognition – Principal Agent Considerations" ("ASC 605-45"). For sales arrangements in which the Company acts as a principal in the transaction and has risks and rewards of ownership (such as the obligation to pay temporary personnel and the risk of loss for collection and performance or pricing adjustments), the Company reports gross revenues and gross direct costs. Under arrangements where the Company acts as an agent as is generally the case in most MSP contracts, revenues are reported on a net basis.

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

Marketing costs

Marketing costs totalled EUR 81, EUR 68, and EUR 58 in 2011, 2010, and 2009, respectively. These costs are included in SG&A and are generally expensed as incurred.

Cash equivalents and short-term investments

Cash equivalents consist of highly liquid instruments having an original maturity at the date of purchase of three months or less.

The Company's policy is to invest excess funds primarily in investments with maturities of 12 months or less, and in money market and fixed income funds with sound credit ratings, limited market risk, and high liquidity.

Trade accounts receivable

Trade accounts receivable are recorded at net realisable value after deducting an allowance for doubtful accounts. The Company makes judgements on an entity-by-entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. Where available and when cost effective, the Company utilises credit insurance. Accounts receivable balances are written off when the Company determines that it is unlikely that future remittances will be received, or as permitted by local law.

Property, equipment, and leasehold improvements

Property and equipment are carried at historical cost and are depreciated on a straight-line basis over their estimated useful lives (generally three to five years for furniture, fixtures, and office equipment; three to five years for computer equipment and software; and twenty to forty years for buildings). Leasehold improvements are stated at cost and are depreciated over the shorter of the useful life of the improvement or the remaining lease term, which includes the expected lease renewal. Expenditures for repairs and maintenance are charged to expense as incurred.

Capitalised software costs

The Company capitalises purchased software as well as internally developed software. Internal and external costs incurred to develop internal use computer software during the application development stage are capitalised. Application development stage costs generally include software configuration, coding, installation, and testing. Costs incurred for maintenance, testing minor upgrades, and enhancements are expensed as incurred. Capitalised software costs are included in property, equipment, and leasehold improvements, net. Capitalised costs are amortised on a straight-line basis over the estimated useful life commencing when the software is placed into service, generally three to five years. As of December 31, 2011 and December 31, 2010, the net book value of capitalised software costs amounted to EUR 104 and EUR 81, respectively.

Goodwill and indefinite-lived intangible assets

Goodwill represents the excess of the purchase price in a business combination over the value assigned to the net tangible and identifiable intangible assets of businesses acquired less liabilities assumed. In accordance with ASC 350, "Intangibles – Goodwill and Other" ("ASC 350"), goodwill and indefinite-lived intangible assets are not amortised. Rather, the carrying value of goodwill and indefinite-lived intangible assets is tested annually for impairment.

Goodwill is tested on a reporting unit level using a two-step impairment test. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. In step one of the goodwill impairment test, the carrying value of each reporting unit is compared to the reporting unit's fair value as determined using a combination of comparable market multiples, additional market information, and discounted cash flow valuation models. If the fair value of the reporting unit is lower than the carrying value of the reporting unit, step two is performed to measure the amount, if any, of impairment. In step two, the fair value of all assets and liabilities of the reporting unit is determined, as if the reporting unit had been acquired on a stand-alone basis. The fair value of the reporting unit's assets and liabilities is then compared to the fair value of the reporting unit, with the excess, if any, considered to be the implied goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds this implied goodwill value, that excess is recorded as an impairment charge in operating income.

Indefinite-lived intangible assets are tested by comparing the fair value of the asset to the carrying value of the asset. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income.

Definite-lived intangible assets

In accordance with ASC 805, "Business Combinations" ("ASC 805"), purchased identifiable intangible assets are capitalised at fair value as of the acquisition date. Intangible assets with definite lives, primarily customer relationships, are generally amortised on a straight-line basis over the estimated period in which benefits will be received, which generally ranges from one to nine years.

Impairment of long-lived assets including definite-lived intangible assets

The Company evaluates long-lived assets, including intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets" ("ASC 360-10-35-15"). The asset is regarded as not recoverable if the carrying amount exceeds the undiscounted future cash flows. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is calculated using a discounted cash flow model.

Accounting for restructuring costs

In recording severance reserves for ongoing benefits, the Company accrues a liability when the following conditions have been met: the employees' rights to receive compensation are attributable to employees' services already rendered, the obligation relates to rights that vest or accumulate, pay ment of the compensation is probable, and the amount can be reasonably estimated. For one-time termination benefits which require employees to render services beyond a "minimum retention period", liabilities associated with employee termination benefits are recorded as employees render services over the future service period. Otherwise, liabilities associated with employee one-time termination benefits are recorded at the point when management has taken a decision to terminate a specific group of employees, the employees have been notified of the decision and the type and amount of benefits to be received by the employees is known. Liabilities for contract termination and other exit costs are recorded at fair value when a contract is formally terminated in accordance with the contract term, or the Company ceases using the right conveyed by the contract.

Income taxes

The Company accounts for income taxes and uncertainty in income taxes recognised in the Company's financial statements in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Current liabilities and assets are recognised for the estimated payable or refundable taxes on the tax returns for the current year. Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and include the future tax benefit of existing net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets in those cases when management does not believe that the realisation is more likely than not. While management believes that its judgements and estimates regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Company's future financial results.

In addition, significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions and arrangements. Although management believes that its tax return positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different from amounts reflected in the income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made.

Earnings per share

In accordance with ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing net income attributable to Adecco shareholders by the number of weighted-average shares for the fiscal year. Diluted earnings per share reflects the maximum potential dilution that could occur if dilutive securities, such as stock options, non-vested shares or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income attributable to Adecco shareholders.

Financial instruments

In accordance with ASC 815, "Derivatives and Hedging" ("ASC 815"), all derivative instruments are initially recorded at cost as either other current assets, other assets, other accrued expenses, or other liabilities in the accompanying consolidated balance sheets and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative instruments. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the consolidated statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is initially recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item. For derivative instruments designated and qualifying as net investment hedges, changes in the fair value of the derivative instruments are recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity to the extent they are considered effective. These gains or losses will remain in equity until the related net investment is sold or otherwise disposed. The cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

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

Fair value measurement

The Company accounts for assets and liabilities which are required to be accounted for at fair value in accordance with ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company measures fair value using unadjusted quoted market prices. If quoted market prices are not available, fair value is based upon internally developed models that use, whenever possible, current market-based parameters such as interest rate curves and currency rates. The Company also utilises independent third-party pricing services. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

New accounting guidance

In October 2009, the FASB issued new accounting guidance on revenue recognition on multiple-deliverable revenue arrangements. This guidance amends the requirements for separating the elements in the arrangement and also changes the allocation method of the arrangement consideration. The guidance is effective for fiscal years beginning after June 15, 2010.

The Company adopted this guidance on January 1, 2011 and its adoption did not have a material impact on the Company's consolidated financial statements.

In May 2011, the 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 Company will adopt this standard on January 1, 2012 and does not expect it to have a significant impact on the consolidated financial statements.

In September 2011, the FASB issued Accounting Standards Update ("ASU") 2011-18, "Intangibles – Goodwill and Other" ("ASU 2011-18"). Under the amendments of ASU 2011-18, 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 Company will adopt this guidance on January 1, 2012 and does not expect it to have an impact on the consolidated financial statements.

Presentation and reclassifications

Certain reclassifications have been made to prior years' amounts or balances in order to conform to the current year presentation.

Other disclosures required by Swiss law

in EUR	**2011**	**2010**
Personnel expenses	1,954	1,842

The detailed disclosures regarding the executive remuneration that are required by Swiss law are included in Note 7 to Adecco S.A. (Holding Company) financial statements and in the Remuneration Report.

The fire insurance value of property, equipment, and leasehold improvements amounted to EUR 696 and EUR 642 as of December 31, 2011 and December 31, 2010, respectively.

in millions, except share and per share information

Note 2 • Acquisitions

The Company made several acquisitions in 2011, 2010, and 2009. With the exception of the MPS Group ("MPS") acquisition, the Company does not consider any of its 2011, 2010, or 2009 acquisition transactions to be material, individually or in the aggregate, to its consolidated balance sheets or results of operations.

The following table illustrates the aggregate impact of the 2011 and 2010 acquisitions:

in EUR	2011	2010
Impact of acquisitions		
Net tangible assets acquired	(6)	205
Identified intangible assets	55	306
Goodwill	131	503
Deferred tax liabilities	(19)	(107)
Noncontrolling interests		1
Total consideration	**161**	**908**

In August 2011, the Company acquired all outstanding common shares of Drake Beam Morin, Inc ("DBM") for EUR 148, net of EUR 8 cash acquired. As a result of this acquisition, EUR 128 and EUR 53 of goodwill and intangible assets, respectively, were recorded. DBM is a leading global service provider operating through several countries and offers strategic human resources solutions helping organisations align their workforces to meet changing business needs. The purchase price was funded with internal resources. DBM was consolidated by the Company as of August 31, 2011, and the results of DBM's operations have been included in the consolidated financial statements since September 1, 2011. The goodwill of EUR 128 arising from the acquisition consists largely of the synergies and economies of scale expected from combining operations of Adecco and DBM.

In January 2010, the Company acquired all outstanding common shares of MPS for EUR 831, net of cash acquired. MPS is one of the largest professional staffing firms in North America with also a strong position in the UK, and is a leading provider of specialty staffing, consulting, and business solutions across various professional business lines such as information technology, finance and accounting, legal, engineering, and healthcare. The purchase price was funded with the prepaid forward sale of Adecco S.A. shares (for further details refer to Note 1) and with internal resources. MPS was consolidated by the Company as of January 31, 2010, and the results of MPS's operations have been included in the consolidated financial statements since February 1, 2010.

The following table summarises the estimated fair value of the MPS assets acquired and liabilities assumed at the date of acquisition:

in EUR	
Fair value of assets acquired and liabilities assumed	
Cash acquired	70
Trade accounts receivable, net	206
Other current assets	28
Deferred tax assets	31
Other assets	30
Intangible assets:	
• Marketing related (trade names)	161
• Customer base	137
• Other	8
Goodwill	497
Current liabilities	(151)
Other liabilities	(9)
Deferred tax liabilities	(107)
Total fair value of assets acquired and liabilities assumed	**901**

The goodwill of EUR 497 arising from the acquisition consists largely of the synergies and economies of scale expected from combining operations of Adecco and MPS. Approximately EUR 149 of tax deductible goodwill was recognised with the MPS acquisition.

Most of the marketing related intangible assets (trade names) are considered to have infinite lives and are not amortised.

Customer base intangible assets acquired have estimated average useful lives of five to nine years and are amortised on a straight-line basis over their useful lives.

The MPS goodwill and intangible assets were assigned to the following segments:

in EUR	North America	UK & Ireland	Germany & Austria	Benelux	Other	Total
Goodwill	380	74	6	12	25	497
Intangible assets	246	52	2	4	2	306

MPS revenues and net income attributable to Adecco shareholders included in the 2010 consolidated operating results since the acquisition date amount to EUR 1,183 and EUR 31, respectively. Amortisation expense, net of tax for MPS intangible assets included in the 2010 consolidated results of operations since the acquisition date amounts to EUR 15.

in millions, except share and per share information

The following unaudited pro forma information shows consolidated operating results as if the MPS acquisition had occurred on January 1, 2010 and January 1, 2009:

in EUR	2010	2009
Pro forma consolidated operating results		
Revenues	18,747	15,992
Net income/(loss) attributable to Adecco shareholders	419	(5)
Basic earnings per share	2.18	(0.03)
Diluted earnings per share	2.16	(0.03)

The 2010 pro forma net income attributable to Adecco shareholders includes the MPS January 2010 net loss of EUR 4, which considers additional amortisation of definite-lived intangible assets, net of tax of EUR 1. The 2009 pro forma net loss attributable to Adecco shareholders includes the MPS net loss of EUR 13 which considers adjustments for amortisation of definite-lived intangible assets, net of tax of EUR 14, acquisition costs of EUR 7, and interest expense of EUR 2. The pro forma results of operations do not necessarily represent operating results which would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of future operating results of the combined companies.

In October 2009, the Company acquired 100% of the outstanding shares of Spring Group Plc ("Spring"), for EUR 94, net of cash acquired. As a result of this acquisition, EUR 52 and EUR 11 of goodwill and intangible assets, respectively, were recorded. Spring is a multi-branded recruitment services provider with operations in the UK, Europe, USA, and Asia Pacific. Spring's three core businesses – Professional Staffing, General Staffing, and Managed Solutions – cover a broad range of industry sectors and clients ranging from market leading multinationals to small and medium sized enterprises. The Spring acquisition was financed with available cash.

Total acquisition related costs expensed in 2011, 2010, and 2009 amounted to EUR 2, EUR 7, and EUR 5, respectively and are included in SG&A within the consolidated statement of operations.

Note 3 • Trade accounts receivable

in EUR	31.12.2011	31.12.2010
Trade accounts receivable	3,832	3,656
Allowance for doubtful accounts	(107)	(115)
Trade accounts receivable, net	**3,725**	**3,541**

Note 4 • Property, equipment, and leasehold improvements

	31.12.2011		31.12.2010	
in EUR	Gross	Accumulated depreciation	Gross	Accumulated depreciation
Land and buildings	48	(21)	49	(18)
Furniture, fixtures, and office equipment	157	(126)	149	(124)
Computer equipment and software	737	(558)	729	(571)
Leasehold improvements	272	(196)	259	(182)
Total property, equipment, and leasehold improvements	**1,214**	**(901)**	**1,186**	**(895)**

Depreciation expense was EUR 93, EUR 87, and EUR 81 for 2011, 2010, and 2009, respectively.

Note 5 • Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended December 31, 2011 and December 31, 2010 are as follows:

in EUR	France [1]	North America [1]	UK & Ireland	Japan [1]	Germany & Austria [1]	Benelux [1]	Italy [1]	Other [1]	Total
Changes in goodwill									
January 1, 2010	**233**	**515**	**145**	**27**	**1,243**	**83**	**–**	**411**	**2,657**
Additions	4	382	74		6	12		25	503
Currency translation adjustment		67	7	7				32	113
December 31, 2010	**237**	**964**	**226**	**34**	**1,249**	**95**	**–**	**468**	**3,273**
Additions		1			1			129	131
Currency translation adjustment		31	7	3				11	52
Other	(1)								(1)
December 31, 2011	**236**	**996**	**233**	**37**	**1,250**	**95**	**–**	**608**	**3,455**

1 Since January 1, 2011, LHH is reported as a separate segment and presented in Other above. The 2010 information has been restated to conform to the current year presentation.

in millions, except share and per share information

As of December 31, 2011 and December 31, 2010, the gross goodwill amounted to EUR 3,638 and EUR 3,454, respectively. As of December 31, 2011 and December 31, 2010, accumulated impairment charges amounted to EUR 183 and EUR 181, respectively, impacted only by fluctuations in exchange rates.

The Company performed its annual goodwill impairment test in the fourth quarter of 2011 and the fourth quarter of 2010 and determined that there was no indication of impairment.

In 2009, the Company performed its annual goodwill impairment test in the fourth quarter, and determined that there was no indication of impairment. However, in the second quarter of 2009, the Company performed an interim impairment test based on management's revised five-year projections for sales and earnings as general economic conditions and the short-term outlook of the Company's business had worsened in the second quarter of 2009 compared to the first quarter of 2009 and the end of 2008.

Step one of the goodwill impairment test which comprised discounted cash flow valuations for all of the Company's reporting units led to the conclusion that there was no indication for impairment of goodwill except for the reporting unit Germany. Accordingly, the Company proceeded to step two of the goodwill impairment test for the reporting unit Germany. In step two the fair value of all assets and liabilities of the reporting unit is determined as if the reporting unit had been acquired on a stand-alone basis. The fair value of the reporting unit's assets and liabilities was then compared to the reporting unit's value as determined in step one with the excess considered to be the implied goodwill of the reporting unit which resulted in the recognition of a non-cash impairment charge related to goodwill of EUR 125 in the second quarter of 2009. The impairment charge can be attributed to worsening economic conditions and the short-term outlook for the Company business in Germany at that time, which negatively impacted the fair value determination of the unit for goodwill impairment purposes.

In determining the fair value of the reporting units, the Company uses a detailed five-year plan for revenues and earnings and for the long-term value a long-term growth rate of 2.0% to 2.5% depending on the long-term growth prospects of the individual markets. For each reporting unit projected cash flows are discounted to their net present values. Discount rates used during the Company's goodwill impairment tests in 2011, 2010, and 2009 ranged from 6.5% to 14.0%.

The carrying amounts of other intangible assets as of December 31, 2011 and December 31, 2010 are as follows:

	31.12.2011		31.12.2010	
in EUR	Gross	Accumulated amortisation	Gross	Accumulated amortisation
Intangible assets				
Marketing related (trade names)	424	(32)	417	(27)
Customer base	395	(213)	336	(166)
Contract	22	(4)	20	(3)
Other	2	(1)	2	(1)
Total intangible assets	**843**	**(250)**	**775**	**(197)**

The carrying amount of indefinite-lived intangible assets was EUR 390 and EUR 386 as of December 31, 2011 and December 31, 2010, respectively. Indefinite-lived intangible assets consist mainly of trade names.

No definite-lived intangible assets have a residual value. The estimated aggregate amortisation expense related to definite-lived intangible assets for the next five years is EUR 48 in 2012, EUR 39 in 2013, EUR 35 in 2014, EUR 26 in 2015, EUR 19 in 2016, and EUR 36 in 2017 and afterwards. The weighted-average amortisation period for customer base intangible assets is five to nine years.

The 2011 and 2010 annual impairment testing for indefinite-lived intangible assets performed in the fourth quarter concluded that there was no indication of impairment.

The 2009 annual impairment testing for indefinite-lived intangible assets performed in the fourth quarter concluded that there was no indication for impairment. However, in the second quarter of 2009, the Company concluded that the fair value of certain trade names was lower than their carrying value. Consequently, a non-cash impairment charge to indefinite-lived intangible assets of EUR 11 was recorded. The impairment charge consisted of the write-down of trade names in Germany which was a result of the decrease in short-term sales projected at that time and in Iberia where the usage of one of the trade names was discontinued.

Furthermore, in the second quarter of 2009, the Company concluded that the carrying value of some of the definite-lived customer base intangible assets exceeded their fair value. Consequently a non-cash impairment charge of the definite-lived intangible assets of EUR 56 was recorded. The impairment charge was related to the decreased value of the Tuja customer relationships in Germany and was mainly attributed to the decrease in sales and earnings of the entity projected at that time for the short-term.

Note 6 • Restructuring

In October 2008 and June 2009, the Company announced it had launched restructuring plans in France to structurally improve the French business and to adapt the cost base to market developments. In addition, the Company incurred restructuring costs in 2009 in Italy, Iberia, Benelux, UK & Ireland, North America, Germany & Austria, and other countries.

Total restructuring costs incurred by the Company in 2009 amounted to EUR 121. No significant costs were incurred in 2011 or 2010 in connection with these plans. Restructuring expenses are recorded as SG&A and represent mainly costs related to headcount reductions and branch optimisation.

The following table shows the total amount of costs incurred by segment in connection with these restructuring programmes:

in EUR	**2009**
Restructuring costs	
France	49
North America	7
UK & Ireland	9
Germany & Austria	6
Benelux	14
Italy	19
Other [1]	17
Total restructuring costs	**121**

1 Includes restructuring costs of EUR 15 in Iberia.

in millions, except share and per share information

The changes in restructuring liabilities for the period ended December 31, 2011, December 31, 2010 and December 31, 2009 are as follows:

in EUR	Restructuring liabilities
January 1, 2009	**34**
Restructuring expenses	121
Cash payments	(98)
Write-off of fixed assets	(6)
December 31, 2009	**51**
Reversals of restructuring expenses	(5)
Cash payments	(34)
Write-off of fixed assets and other	(2)
December 31, 2010	**10**
Reversals of restructuring expenses	(2)
Cash payments	(4)
December 31, 2011	**4**

As of December 31, 2011 restructuring liabilities in connection with these plans of EUR 1 and EUR 3 were recorded in accounts payable and accrued expenses and in other liabilities, respectively.

Note 7 • Financing arrangements

Short-term debt

The Company's short-term debt consists of borrowings under the French commercial paper programme and under other lines of credit.

Commercial paper

In August 2010, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, established a French commercial paper programme ("Billet de Trésorerie programme"). Under the programme, Adecco International Financial Services BV may issue short-term commercial paper up to a maximum amount of EUR 400, with maturity of individual paper of 365 days or less. The proceeds are used to fund short-term working capital and borrowing requirements. The paper is usually issued at a discount and repaid at nominal amount at maturity. The discount represents the interest paid to the investors on the commercial paper. The programme is guaranteed by Adecco S.A. As of December 31, 2011 and December 31, 2010, EUR 145 and EUR 151, respectively, were outstanding under the programme, with maturities of up to six months. The weighted-average interest rate on commercial paper outstanding was 1.31% as of December 31, 2011 and 1.09% as of December 31, 2010.

Other short-term debt

To support short-term working capital and borrowing requirements, the Company had available, in certain countries where it operates, uncommitted lines of credit amounting to EUR 477 and EUR 452 as of December 31, 2011 and December 31, 2010, respectively. As of December 31, 2011 and December 31, 2010, bank overdrafts and borrowings outstanding under these lines of credit amounted to EUR 15 and EUR 17, respectively. As of December 31, 2011, the uncommitted lines of credit are in various currencies, have various interest rates, and have maturities of up to one year. The weighted-average interest rate on borrowings outstanding was 2.8% and 9.1% as of December 31, 2011 and December 31, 2010, respectively.

Long-term debt

The Company's long-term debt as of December 31, 2011 and December 31, 2010 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	31.12.2011	31.12.2010
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	489	
5-year guaranteed Euro medium-term notes	EUR 356	2014	7.625%	358	500
Fixed rate guaranteed notes	EUR 333	2013	4.5%	341	516
Medium-term loan, payable in instalments by 2012				76	119
Other				2	2
				1,266	**1,137**
Less current maturities				(76)	(49)
Long-term debt, less current maturities				**1,190**	**1,088**

Exchange and tender offers for outstanding notes and issuance of new 7-year guaranteed Euro medium-term notes
In April 2011, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, completed tender and exchange offers for the outstanding EUR 500 5-year guaranteed Euro medium-term notes due 2014 ("5-year notes") and EUR 500 fixed rate guaranteed notes due 2013 ("fixed rate notes"), collectively "old notes" and issued new EUR 500 7-year unsubordinated fixed rate notes guaranteed by Adecco S.A. due April 14, 2018 ("7-year notes"). The purpose of the transaction was to lengthen the Company's debt maturity profile and to take advantage of favourable market conditions.

The 7-year notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The notes were issued at a price of 99.453%. The interest on the 7-year notes is paid annually in arrears at a fixed annual rate of 4.75%.

The exchange and tender were priced at 103.06% for the fixed rate notes and at 111.52% for the 5-year notes. In relation to the tender of the old notes, the Company recognised a loss of EUR 11, included in other income/(expenses), net. In addition, a loss of EUR 10 relating to the exchange transaction is deferred and will be amortised to interest expense over the life of the 7-year notes.

5-year guaranteed Euro medium-term notes
On April 28, 2009, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 unsubordinated notes guaranteed by Adecco S.A. due April 28, 2014. The 5-year notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds further increased the Company's financial flexibility with respect to the refinancing of the guaranteed zero-coupon convertible bond and were used for general corporate purposes. The interest is paid annually in arrears at a fixed annual rate of 7.625%.

In April 2011, EUR 71 nominal value of outstanding 5-year notes were exchanged for the 7-year notes and EUR 73 nominal value of outstanding 5-year notes were tendered for cash. This transaction reduces the nominal value of the outstanding principal of the 5-year notes to EUR 356.

The Company has entered into fair value hedges of the 5-year notes, which are further discussed in Note 11.

Fixed rate guaranteed notes
On April 25, 2006, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 unsubordinated fixed rate notes guaranteed by Adecco S.A. due April 25, 2013. The proceeds were used to refinance the DIS acquisition and for general corporate purposes. Interest is paid on the fixed rate notes annually in arrears at a fixed annual rate of 4.5%.

In April 2011, EUR 84 nominal value of outstanding fixed rate notes were exchanged for the 7-year notes and EUR 83 nominal value of outstanding fixed rate notes were tendered for cash. This transaction reduces the nominal value of the outstanding principal of the fixed rate notes to EUR 333.

The Company has entered into fair value hedges of the fixed rate notes, which are further discussed in Note 11.

in millions, except share and per share information

Medium-term loan from Adecco Investment
As of December 31, 2011, the Company had a Swiss Franc denominated loan payable of EUR 76 (CHF 92), including EUR 4 (CHF 5) representing capitalised interest on the loan from inception to the last roll-over date, to its wholly owned nonconsolidated subsidiary, Adecco Investment (for further details refer to Note 1). As of December 31, 2010, the Swiss Franc denominated loan payable by the Company to Adecco Investment amounted to EUR 119 (CHF 148), including EUR 2 (CHF 2) capitalised interest on the loan from inception to the last roll-over date. The subordinated loan carries interest rate of 3-month CHF LIBOR plus 1.5% per annum. During 2011 and 2010, the Company repaid instalments of EUR 48 (CHF 59) and EUR 21 (CHF 30), respectively. The remaining loan balance is repayable in instalments of EUR 49 (CHF 59) and EUR 27 (CHF 33) on June 1, 2012 and November 26, 2012, respectively.

Payments of long-term debt are due as follows:

in EUR	2012	2013	2014	2015	2016	Thereafter	Total
Payments due by year	76	342	358	1		489	1,266

Other credit facilities

Committed multicurrency revolving credit facility
In October 2011, the Company renegotiated the existing EUR 550 multicurrency revolving credit facility. The new five-year revolving credit facility of EUR 600 contains two 1-year extension options at the discretion of the lender and is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.6% and 1.3% per annum, depending on certain debt-to-EBITDA ratios. Utilisation fee of 0.25% and 0.5% applies on top of the interest rate, if drawings exceed 33.33% and 66.67% of total commitment, respectively. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of December 31, 2011 and December 31, 2010, there were no outstanding borrowings under the credit facility. As of December 31, 2011, the Company had EUR 529 available under the facility after utilising EUR 71 in the form of letters of credit. As of December 31, 2010, the Company had EUR 470 available under the facility after utilising EUR 80 in the form of letters of credit.

Note 8 • Shareholders' equity

The summary of the components of authorised shares as of December 31, 2011, December 31, 2010, and December 31, 2009 and changes during those years are as follows:

	Outstanding shares	Treasury shares	Issued shares [1]	Conditional capital	Authorised shares
Changes in components of authorised shares					
January 1, 2009	**174,188,402**	**15,075,104**	**189,263,506**	**19,566,804**	**208,830,310**
Treasury shares transactions	(108,971)	108,971			
December 31, 2009	**174,079,431**	**15,184,075**	**189,263,506**	**19,566,804**	**208,830,310**
Treasury shares transactions	622,595	(622,595)			
December 31, 2010	**174,702,026**	**14,561,480**	**189,263,506**	**19,566,804**	**208,830,310**
Treasury shares transactions	(4,253,625)	4,253,625			
December 31, 2011	**170,448,401**	**18,815,105**	**189,263,506**	**19,566,804**	**208,830,310**

1 Shares at CHF 1 par value.

Authorised shares and appropriation of available earnings
As of December 31, 2011 and December 31, 2010, 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 December 31, 2011 and December 31, 2010, 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.

Adecco S.A. may only pay dividends based on the requirements of the Swiss Code of Obligations, Articles of Incorporation and based on the shareholders' equity reflected in the stand-alone financial statements of Adecco S.A., the holding company of the Adecco Group, prepared in accordance with Swiss law. As of December 31, 2011, the stand-alone financial statements of Adecco S.A. included shareholders' equity of CHF 6,646 (EUR 5,464), of which CHF 189 represent share capital and CHF 6,457 represent reserves and retained earnings. Of the CHF 6,457 balance, the statutory legal reserve for treasury shares of CHF 1,092 as well as an amount of CHF 38 representing 20% of share capital are restricted based on the Swiss Code of Obligations and cannot be distributed as dividend.

In 2011, upon approval at the Annual General Meeting of Shareholders, dividends for 2010 of CHF 1.10 per share, totalling EUR 149, were allocated from Adecco S.A.'s reserve from capital contributions (subaccount of general reserves) to free reserves and subsequently distributed to shareholders. For 2011, the Board of Directors of Adecco S.A. will propose a dividend of CHF 1.80 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be allocated from Adecco S.A.'s reserve from capital contributions to the free reserves and subsequently distributed to shareholders. 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 are reduced whenever the Company makes a dividend distribution by a fraction determined as follows: (share price excluding dividend minus dividend per share) divided by (share price excluding dividend). In 2011 and 2010, the strike prices of both instruments were reduced due to the dividend distributions made by the Company.

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

	Sold prepaid forward		Purchased call spread option	
	Initial	31.12.2011	Initial	31.12.2011
Forward/Strike Price	CHF 50.50, received on November 26, 2009	CHF 48.95	Lower call price = CHF 50.50 Upper call price = CHF 60.60	Lower call price = CHF 48.95 Upper call price = CHF 58.74
Number of shares to which the contract is indexed	17,821,782 initial underlying shares	18,386,108 underlying shares	17,821,782 initial underlying shares	18,386,108 underlying shares
Maximum number of shares to be delivered	17,821,782 subject to dividend and other anti-dilution adjustments	18,386,108 subject to dividend and other anti-dilution adjustments	2,970,297 subject to dividend and other anti-dilution adjustments	3,064,351 subject to dividend and other anti-dilution adjustments

in millions, except share and per share information

Treasury shares
In 2011, the Company acquired 4,355,000 treasury shares for a total consideration of EUR 178. Furthermore in 2009, the Company acquired 116,487 treasury shares for a total consideration of EUR 3.

As of December 31, 2011, the treasury shares are intended to be used for the settlement of the prepaid forward and the Company's outstanding employee stock option plans and long-term incentive plan (for further details refer to Note 9).

In 2011 and 2010, the Company awarded 4,697 and 5,356 treasury shares, respectively to the Chairman of the Board of Directors as part of his compensation package (refer to section 3.1.1 "Board of Directors' compensation and shareholding" within the Remuneration Report). In addition, in 2011, 96,506 shares were used to settle restricted share unit ("RSU") awards under the long-term incentive plan and 172 shares were used to settle stock option exercises. In December 2010, 580,624 treasury shares were used upon the exercise of call options on Adecco S.A. shares which were entered into in connection with the employee tradable stock option programme. In 2010, 33,529 shares were used to settle stock option exercises and 3,086 treasury shares were sold.

No dividends are distributed in relation to treasury shares.

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

in EUR	31.12.2011	31.12.2010
Currency translation adjustment	(110)	(166)
Unrealised gain on cash flow hedging activities	2	
Pension-related adjustments	(35)	(18)
Accumulated other comprehensive income/(loss), net	**(143)**	**(184)**

Note 9 • Stock-based compensation

As of December 31, 2011, the Company had non-vested share awards and options outstanding relating to its common shares under several existing plans. Compensation expense of EUR 12, EUR 5, and EUR 1 was recognised in 2011, 2010, and 2009, respectively in connection with the non-vested share awards granted in 2011, 2010, and 2009. No compensation expense was recognised in 2011, 2010 or 2009 in connection with the stock option plans as all options outstanding are fully vested. The total income tax benefit recognised related to stock compensation amounted to EUR 4 in 2011, EUR 1 in 2010, and was less than EUR 1 in 2009.

Non-vested share award plans
Performance share awards were granted in March 2011 and 2010 to the members of the Executive Committee and in March and April 2009 to the members of the Executive Committee and to a further group of senior managers (21 individuals in total) under the Company's long-term incentive plan ("LTIP"). The awards contain an undertaking to deliver a number of Adecco S.A. shares to the participants of the plan after the end of the performance period (end of performance period for the 2011, 2010, and 2009 awards: December 31, 2013, December 31, 2012, and December 31, 2011, respectively). For 2011 and 2010 awards, the requisite service period represents three calendar years starting on January 1, 2011, and January 1, 2010, respectively, and for 2009 awards, it coincides with the performance period. The delivery of the shares will be made provided and to the extent that the predefined market and performance targets are met.

The targets for awards granted in 2011 and 2010 relate to:

- the relative change in the Company's shareholder value including reinvested dividends (total shareholder return: "TSR" element), compared to that of a predefined group of peers ("relative TSR awards");
- the Company's TSR measured as the compound annual growth rate in the Company's shareholder value including reinvested dividends ("absolute TSR awards"); and
- simultaneous achievement of the targets related to relative TSR awards and absolute TSR awards and the degree of overachievement of the relative TSR target ("additional TSR awards").

The targets for awards granted in 2009 relate to:

- financial performance (earnings per share development: "EPS" element) of the Company ("EPS awards"); and
- the relative change in the Company's shareholder value including reinvested dividends (TSR), compared to that of a predefined group of peers ("relative TSR awards").

In addition, service condition awards (restricted share unit awards: "RSU awards") were granted in 2011 and 2010 to the members of the Executive Committee and to a further group of senior managers (251 individuals in total in 2011 and 233 individuals in total in 2010) under the LTIP. The vesting of the RSU awards is not subject to performance targets, but to forfeiture provisions. Provided that the employment relationship continues, RSU awards will vest in equal portions over a period of three years at the anniversaries of the date of grant. For RSU awards, the requisite service period represents three calendar years starting on January 1, 2011 for the 2011 awards and January 1, 2010 for the 2010 awards. RSU awards granted to French employees cliff-vest at the second anniversary of the date of grant and their requisite service period represents two calendar years starting on January 1, 2011 for 2011 awards and January 1, 2010 for 2010 awards.

Participants who terminate their employment with the Company at their own will and those who receive notice of termination for cause before the end of the performance period (in case of performance share awards) and before the end of the vesting period (in case of RSU awards), will no longer be entitled to the vesting of the awards. In case of an involuntary termination without cause before the end of the performance period a time-weighted pro rata portion of the unvested performance share awards granted in 2011 and 2010 will vest at the regular vesting date, depending on the level of target achievement. Performance share awards granted in 2009 are not subject to the time-weighted pro rata reduction. In case of an involuntary termination without cause before the end of the vesting period a time-weighted pro rata portion of the unvested RSU awards will vest at the regular vesting date.

TSR share awards

The fair value of the relative, absolute, and additional TSR awards (collectively "TSR awards") is estimated on the date of grant using a binomial model. This model runs a very large number of share price simulations based on various parameters (share prices, volatilities, dividends, maturity, correlation, etc). The average result of these simulations provides the probability that the Company's TSR targets will be achieved. The implied volatility was determined by reference to the implied volatilities of various listed options in the listed option market ("Eurex") and interpolated by calculation models. The expected dividend yield is based on expectations for future dividends from research analysts as well as implied dividend yields obtained from option prices traded in the Eurex. The risk-free rate is extracted from the Swiss government bond yield curve, which is constructed by interpolation out of the observed trading prices of various Swiss government bonds. The assumptions used are as follows:

	2011	2010	2009
Assumptions used for the estimation of the fair value of the TSR awards			
Implied at-the-money volatility	27.6%	28.7%	54.2%
Expected dividend yield	2.0%	1.5%	3.8%
Expected term (in years)	2.8 years	2.8 years	2.8 years
Risk-free rate	0.88%	1.08%	1.06%

in millions, except share and per share information

Since the probability of the market condition being met is considered in the fair value of the TSR share awards, the compensation expense is recognised on a straight-line basis over the requisite service period regardless of fulfilment of the market condition, taking into account estimated employee forfeitures.

A summary of the status of the Company's TSR non-vested share plan as of December 31, 2011, December 31, 2010 and December 31, 2009, and changes during those years are as follows:

	Relative TSR awards		Absolute TSR awards		Additional TSR awards	
	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the TSR non-vested share awards						
Granted	210,836	15				
Forfeited	(58,771)	15				
Non-vested share awards outstanding as of December 31, 2009	**152,065**	**15**				
Granted	24,267	23	24,267	14	24,267	8
Forfeited	(4,473)	15				
Increase in percentage of guaranteed awards	(1,875)	15				
Non-vested share awards outstanding as of December 31, 2010	**169,984**	**16**	**24,267**	**14**	**24,267**	**8**
Granted	20,645	22	20,645	15	20,645	10
Forfeited	(2,343)	22	(2,343)	14	(2,343)	9
Non-vested share awards outstanding as of December 31, 2011	**188,286**	**17**	**42,569**	**14**	**42,569**	**9**

1,875 relative TSR share awards were modified in 2010 to guarantee their vesting irrespective of the achievement of the targets. Such awards were reclassified to the service condition awards category. The incremental expense related to the modification was not significant.

RSU share awards

The fair value of the RSU share awards is determined based on the grant date market price of the Adecco S.A. share less a discount for not being entitled to any dividends over the vesting period. The compensation expense of such service condition share awards is recognised on a straight-line basis over the requisite service period, taking into account estimated employee forfeitures.

A summary of the status of the Company's RSU non-vested share plan as of December 31, 2011 and December 31, 2010, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of RSU non-vested share awards		
Granted	325,486	56
Forfeited	(16,739)	57
Non-vested share awards outstanding as of December 31, 2010	**308,747**	**56**
Granted	269,319	55
Vested	(96,506)	57
Forfeited	(19,866)	54
Non-vested share awards outstanding as of December 31, 2011	**461,694**	**55**

EPS share awards
The fair value of the EPS share awards was determined based on the grant date market price of the Adecco S.A. share, and assumes that the EPS performance conditions of the plan will be met. Compensation expense is recognised over the requisite service period for the awards expected to vest, according to the internal EPS projections. The estimate of the number of awards expected to vest is reassessed at each reporting date, and the new estimate is recognised, to the extent the estimate changes, taking into account the service already rendered.

A summary of the status of the Company's EPS non-vested share plan as of December 31, 2011, December 31, 2010, and December 31, 2009, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of EPS non-vested share awards		
Granted	120,771	35
Forfeited	(32,250)	35
Non-vested share awards outstanding as of December 31, 2009	**88,521**	**35**
Forfeited	(2,454)	35
Increase in percentage of guaranteed awards	(1,875)	35
Non-vested share awards outstanding as of December 31, 2010	**84,192**	**35**
Non-vested share awards outstanding as of December 31, 2011	**84,192**	**35**

1,875 EPS share awards were modified in 2010 to guarantee their vesting irrespective of the achievement of the targets. Such awards were reclassified to the service condition awards category. The incremental expense related to the modification was not significant.

Guaranteed TSR and EPS share awards
Certain awards were granted in 2009, in addition to those described above, which are guaranteed to vest irrespective of the EPS and TSR conditions being met, provided that the requisite service has been rendered.

A summary of the status of these service condition share awards, including the impact of the TSR and EPS awards modified in 2010 as described above, as of December 31, 2011, December 31, 2010, and December 31, 2009, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the service condition non-vested share awards		
Granted	22,500	36
Non-vested share awards outstanding as of December 31, 2009	**22,500**	**36**
Increase in percentage of guaranteed awards	3,750	36
Non-vested share awards outstanding as of December 31, 2010	**26,250**	**36**
Non-vested share awards outstanding as of December 31, 2011	**26,250**	**36**

As of December 31, 2011, the total unrecognised compensation expense related to non-vested share awards amounted to EUR 12. The cost is expected to be recognised over a weighted-average period of two years. The total fair value of RSU awards vested in 2011 amounted to EUR 4. The excess tax benefits resulting from vesting of RSU awards in 2011 were not significant, and were reported as cash flows from financing activities. No awards vested in 2010 or 2009.

in millions, except share and per share information

Option plans

Under several option plans, options vested and became exercisable in instalments, generally on a rateable basis up to four years beginning on the date of grant or one year after the date of grant, and have a contractual life of three to ten years. Options were typically granted with an exercise price equal to or above the fair market value of the Adecco S.A. share on the date of grant. No options have been granted since 2004.

Certain options granted under the plans were tradable on the SIX Swiss Exchange. The options were granted to employees or members of the Board of Directors of the Company and gave the optionee a choice of selling the option on the market or exercising the option to receive an Adecco S.A. share. If the option holder chose to sell the option on the market, the options could be held by a non-employee or non-director of the Company. As of December 31, 2010 and December 31, 2009, the number of stock options outstanding sold on the market was 106,391 and 935,852, respectively. There were no tradable stock options outstanding as of December 31, 2011. The trading and valuation of the tradable options were managed by a Swiss bank.

The Company used the Black-Scholes model to estimate the fair value of stock options granted to employees. Management believes that this model appropriately approximates the fair value of the stock option. The fair value of the option award, as calculated using the Black-Scholes model, was expensed for non-tradable stock options on a straight-line basis.

A summary of the status of the Company's stock option plans as of December 31, 2011, December 31, 2010, and December 31, 2009, and changes during those years are presented below:

	Number of shares	Weighted-average exercise price per share (in CHF)	Weighted-average remaining life (in years)	Aggregate intrinsic value (in CHF millions)
Summary of stock option plans				
Options outstanding and vested as of January 1, 2009	**4,070,125**	**76**	**1.5**	
Forfeited	(113,350)	81		
Expired	(2,194,056)	81		
Options outstanding and vested as of December 31, 2009	**1,762,719**	**68**	**1.2**	
Exercised	(614,153)	60		
Forfeited	(22,582)	81		
Expired	(686,425)	71		
Options outstanding and vested as of December 31, 2010	**439,559**	**76**	**1.1**	
Exercised	(172)	60		
Forfeited	(6,278)	73		
Expired	(329,969)	76		
Options outstanding and vested as of December 31, 2011	**103,140**	**78**	**1.0**	

The aggregate intrinsic value as of December 31, 2011 of the outstanding stock options in the table above is zero and represents the total pre-tax intrinsic value (the difference between the Company's closing share price on the last trading day of 2011 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last trading day of 2011. This amount changes based on the fair market value of Adecco S.A. shares.

Note 10 • Employee benefit plans

In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and both contributory and non-contributory defined benefit plans.

Defined contribution plans and other arrangements

The Company recorded an expense of EUR 60 in both 2011 and 2010 [1], and EUR 46 [1] in 2009, in connection with defined contribution plans, and an expense of EUR 36, EUR 30, and EUR 25, in connection with the Italian employee termination indemnity arrangement in 2011, 2010, and 2009, respectively.

The Company sponsors several non-qualified defined contribution plans in the USA for certain of its employees. These plans are partly funded through Rabbi trusts, which are consolidated in the Company's financial statements. As of December 31, 2011 and December 31, 2010, the assets held in the Rabbi trusts amounted to EUR 53 and EUR 51, respectively. The related pension liability totalled EUR 70 and EUR 66 as of December 31, 2011 and December 31, 2010, respectively.

Certain employees in Sweden are covered under the ITP multi-employer pension plan (employer identification number 55927) administered by a union. The data available from the administrator of the plan (Alecta) is not sufficient to determine the projected benefit obligation or the net assets attributable to the Company. Consequently, this plan is reported as a defined contribution plan. As of December 31, 2011, Alecta managed approximately EUR 54,600 of plan assets on behalf of 1.9 million private individuals and 32,000 client companies. As of December 31, 2010, total assets managed by Alecta amounted to EUR 55,700. Total contributions made by all plan members to this plan in 2010 amounted to EUR 2,700. The information on total contributions made by all plan members in 2011 has not yet been published by Alecta. Contributions made to this plan by the Company amounted to EUR 2 in 2011 and EUR 3 [1] in both 2010 and 2009.

1 Restated.

Defined benefit plans

The Company sponsors defined benefit plans principally in Switzerland, the Netherlands, and the UK. These plans provide benefits primarily based on years of service and level of compensation, and are in accordance with local regulations and practices. The defined benefit obligations and related assets of all major plans are reappraised annually by independent actuaries. The measurement date in 2011 and 2010 for all defined benefit plans is December 31. Plan assets are recorded at fair value, and consist primarily of equity securities, debt securities, and alternative investments. The projected benefit obligation ("PBO") is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation ("ABO") is the actuarial present value of benefits attributable to employee service rendered to date, but excluding the effects of estimated future pay increases.

Actuarial gains and losses are recognised as a component of other comprehensive income/(loss), net, in the period when they arise. Those amounts are subsequently recognised as a component of net period pension cost using the corridor method.

The components of pension expense, net, for the defined benefit plans are as follows:

	Swiss plan			Non-Swiss plans		
in EUR	2011	2010	2009	2011	2010	2009
Components of pension expense						
Service cost	11	9	8	2	2	2
Interest cost	3	3	3	5	5	4
Expected return on plan assets	(6)	(5)	(4)	(4)	(5)	(4)
Amortisation of prior years service costs					(1)	(1)
Amortisation of net (gain)/loss			3	1	2	
Pension expense, net	**8**	**7**	**10**	**4**	**3**	**1**

in millions, except share and per share information

The following table provides a reconciliation of the changes in the benefit obligations, the change in the fair value of assets, and the funded status of the Company's defined benefit plans as of December 31, 2011 and December 31, 2010:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Pension liabilities and assets				
Projected benefit obligation, beginning of year	**129**	**102**	**103**	**89**
Service cost	11	8	2	2
Interest cost	3	3	5	5
Participants contributions	31	35	1	1
Actuarial (gain)/loss	8	3	17	7
Benefits paid	(34)	(42)	(3)	(2)
Foreign currency translation	4	20	1	1
Projected benefit obligation, end of year	**152**	**129**	**126**	**103**
Plan assets, beginning of year	**128**	**99**	**86**	**77**
Actual return on assets	(1)	7	13	7
Employer contributions	12	11	2	2
Participants contributions	31	35	1	1
Benefits paid	(34)	(42)	(3)	(2)
Foreign currency translation	4	18	1	1
Plan assets, end of year	**140**	**128**	**100**	**86**
Funded status of the plan	**(12)**	**(1)**	**(26)**	**(17)**
Accumulated benefit obligation, end of year	**148**	**126**	**116**	**96**

The following amounts are recognised in the consolidated balance sheets as of December 31, 2011 and December 31, 2010:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Pension-related assets			7	4
Pension-related liabilities	(12)	(1)	(33)	(21)
Total	**(12)**	**(1)**	**(26)**	**(17)**

As of December 31, 2011, the Company recognised a net loss of EUR 22 and EUR 13 for Swiss defined benefit plans and for non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net. The expense to be amortised from accumulated other comprehensive income/(loss), net, into earnings, over the next fiscal year amounts to EUR 3 for the Swiss defined benefit plan and to EUR 2 for the non-Swiss defined benefit plans. As of December 31, 2010, the Company recognised a net loss of EUR 10 and EUR 8 for Swiss defined benefit plans and for non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net.

For plans with a PBO in excess of the fair value of plan assets as of December 31, 2011 and December 31, 2010, the total PBO was EUR 208 and EUR 154, respectively, and the fair value of the plan assets was EUR 162 and EUR 133, respectively.

Certain of the Company's pension plans have an ABO that exceeds the fair value of plan assets. For plans with an ABO that exceeds the fair value of plan assets, the aggregated ABO was EUR 196 and EUR 147 as of December 31, 2011 and December 31, 2010, respectively, and the fair value of the plan assets of those plans was EUR 162 and EUR 133, respectively.

The overall expected long-term rate of return on plan assets for the Company's defined benefit plans is based on inflation rates, inflation-adjusted interest rates, and the risk premium of equity investments above risk-free rates of return. Long-term historical rates of return are adjusted when appropriate to reflect recent developments.

The assumptions used for the defined benefit plans reflect the different economic conditions in the various countries. The weighted-average actuarial assumptions are as follows:

	Swiss plan			Non-Swiss plans		
in %	2011	2010	2009	2011	2010	2009
Weighted-average actuarial assumptions						
Discount rate	2.3	2.5	3.0	4.1	4.5	4.9
Rate of increase in compensation levels	2.5	2.5	2.0	2.1	2.6	2.9
Expected long-term rate of return on plan assets	3.8	4.3	4.5	4.1	4.3	4.6

The Company has established an investment policy and strategy for the assets held by the Company's pension plans which focuses on using various asset classes in order to achieve a long-term return on a risk adjusted basis. Factors included in the investment strategy are the achievement of consistent year-over-year results, effective and appropriate risk management, and effective cash flow management. The investment policy defines a strategic asset allocation and a tactical allocation through bands within which the actual asset allocation is allowed to fluctuate. The strategic asset allocation has been defined through asset-liability studies that are undertaken at regular intervals by independent pension fund advisors or by institutional asset managers. Actual invested positions change over time based on short- and longer-term investment opportunities. Equity securities include publicly-traded stock of companies located inside and outside Switzerland. Debt securities include corporate bonds from companies from various industries as well as government bonds. Alternative investments include interest rate risk management funds (liability driven investments) and foreign exchange forwards used to hedge the foreign exchange risk of alternative investments. Real estate funds primarily consist of investments made through a single real estate fund with daily pricing and liquidity.

in millions, except share and per share information

The Swiss and non-Swiss pension plans' target weighted-average asset allocations as of December 31, 2011, and the actual weighted-average asset allocations as of December 31, 2011 and December 31, 2010, by asset category, are as follows:

	Swiss plan			Non-Swiss plans		
		Actual allocation			Actual allocation	
in %	Target allocation range	31.12.2011	31.12.2010	Target allocation range	31.12.2011	31.12.2010
Weighted-average asset allocations						
Equity securities	15–40	27	30	5–25	17	20
Debt securities	20–60	39	34	25–55	46	42
Real estate	5–25	15	12	0–10	0	0
Other	5–60	19	24	25–40	37	38
Total		**100**	**100**		**100**	**100**

The fair values of the Company's pension plan assets as of December 31, 2011 and as of December 31, 2010 by asset category are as follows:

December 31, 2011

	Swiss plan				Non-Swiss plans			
in EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents	1			1	1			1
Equity securities:								
• Switzerland	17			17				
• Rest of the world	20			20	17			17
Debt securities:								
• Government bonds	12			12	29			29
• Corporate bonds	42			42	17			17
Alternative investments:								
• Commodity funds/private equity	5		1	6				
• Liability driven investments ("LDI")					25			25
• Alternative investment funds		20		20	9			9
Real estate funds	22			22				
Other						2		2
Total	**119**	**20**	**1**	**140**	**98**	**2**		**100**

December 31, 2010

in EUR	Swiss plan Level 1 [1]	Level 2 [1]	Level 3 [1]	Total	Non-Swiss plans Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents					1			1
Equity securities:								
• Switzerland	18			18				
• Rest of the world	20			20	17			17
Debt securities:								
• Government bonds	11			11	21			21
• Corporate bonds	32			32	15			15
Alternative investments:								
• Commodity funds/private equity	6		1	7	1			1
• Liability driven investments ("LDI")					22			22
• Alternative investment funds	5	20		25	6			6
Real estate funds	15			15				
Other					1	2		3
Total	**107**	**20**	**1**	**128**	**84**	**2**		**86**

1 Restated.

A reconciliation of the change in the fair value measurement of the defined benefit plans' consolidated assets using significant unobservable inputs (Level 3) during the year ended December 31, 2011 is as follows:

in EUR	Swiss plan
Private equity funds	
Balance as of January 1, 2011	**1**
Actual return on plan assets	
Balance as of December 31, 2011	**1**

The Company expects to contribute EUR 13 to its pension plan in Switzerland and EUR 5 to its non-Swiss plans in 2012.

Future benefits payments, which include expected future service, are estimated as follows:

in EUR	Swiss plan	Non-Swiss plans
Future benefits payments		
2012	44	2
2013	12	3
2014	11	2
2015	10	3
2016	10	3
Years 2017–2021	37	26

in millions, except share and per share information

Note 11 • Financial instruments

Risk and use of derivative instruments
The Company conducts business in various countries and funds its subsidiaries in various currencies, and is therefore exposed to the effects of changes in foreign currency exchange rates. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments. The Company has also issued fixed rate long-term notes. Accordingly, the Company 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 December 31, 2011 and December 31, 2010:

	31.12.2011		31.12.2010	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	532	532	549	549
• Short-term investments	2	2	5	5
• Trade accounts receivable, net	3,725	3,725	3,541	3,541
Current liabilities:				
• Accounts payable	541	541	546	546
• Short-term debt	160	160	168	168
• Current maturities of long-term debt	76	76	49	50
Non-current liabilities:				
• Long-term debt	1,190	1,236	1,088	1,158

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. Refer to Note 7 for details of debt instruments.

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of December 31, 2011 and December 31, 2010:

		Notional amount		Fair value	
in EUR	Balance sheet location	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other assets	425	375	13	18
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	1,071	373	48	14
• Cross-currency interest rate swaps	Other current assets	209		16	
• Cross-currency interest rate swaps	Other assets	42	244	4	20
• Interest rate swaps	Other assets	50		2	
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other liabilities		50		(1)
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	787	1,133	(38)	(49)
• Interest rate swaps	Other liabilities	50		(1)	
• Interest rate swaption	Other liabilities	50	50	(1)	
Total net derivatives				**43**	**2**

In addition, accrued interest receivable on interest rate swaps of EUR 10 was recorded in other current assets as of December 31, 2011 and December 31, 2010. Accrued interest payable on cross-currency interest rate swaps and interest rate swaps of EUR 2 and EUR 1 was recorded in other accrued expenses as of December 31, 2011 and December 31, 2010.

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 quoted market information. 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 December 31, 2011 and December 31, 2010, the total impact of non-performance risk and liquidity risk was a loss of EUR 4 and EUR 3, respectively.

Fair value hedges

Interest rate swaps with a notional amount of EUR 300 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 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.

in millions, except share and per share information

The gain and loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting loss and gain on the related interest rate swaps, both reported as interest expense for 2011 and 2010 are as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2011	2010	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2011	2010
Interest rate swaps	Interest expense	(5)	2	Long-term debt	Interest expense	5	(2)

In addition, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in 2011, 2010, and 2009, 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 2011, 2010, or 2009.

Cash flow hedges

The effective portion of gains on cash flow hedges that was recognised in other comprehensive income/(loss), net, amounted to EUR 3 for 2011. No significant gain or loss was recognised in other comprehensive income/(loss), net, in 2010 in connection with cash flow hedges. As of December 31, 2011 and December 31, 2010, the gain relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounts to EUR 2 and below EUR 1, respectively. No significant gains or losses were recorded in 2011, 2010, and 2009, due to ineffectiveness in cash flow hedge relationships. In 2011, 2010, and 2009, 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 December 31, 2011 and December 31, 2010, the net loss relating to net investment hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 74 and EUR 72, 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 written treasury policies and procedures and represent economic hedges. Gains and losses on these contracts are recognised in earnings and are included in other income/(expenses), net, in the accompanying consolidated statements of operations.

In connection with these activities, the Company recorded a net loss of EUR 1 in 2011 and a net loss of EUR 3 in 2010, as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2011	Gain/(loss) on derivative recognised in earnings 2010	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2011	Gain/(loss) on related hedged item recognised in earnings 2010
Cross-currency interest rate swaps	Other income/(expenses), net	(6)	20	Loans and receivables to/from subsidiaries	Other income/(expenses), net	4	(21)
Foreign currency contracts	Other income/(expenses), net	(11)	(80)	Cash, loans and receivables to/from subsidiaries	Other income/(expenses), net	12	78

In addition, in 2011 the Company recorded in other income/(expenses), net, a gain of EUR 3 in connection with not designated interest rate swaps and a release of fair value adjustment on part of the debt tendered in April 2011 and a loss of EUR 1 in connection with not designated interest rate swaption. No significant amounts were included in other income/(expenses), net, for 2010 and 2009 in relation to interest rate swaps and swaption not designated as hedging instruments under ASC 815.

In 2009, the Company recorded a net expense of EUR 2 in connection with the forward-starting foreign currency swaps and forward-starting cross-currency interest rate swaps entered into in 2009 to hedge the US Dollar to the Swiss Franc exchange rate over the period between the announcement and the closing of the MPS acquisition in January 2010. The contracts consummated at the closing of the MPS acquisition in January 2010 to hedge the US Dollar loans advanced to the US subsidiary to finance the acquisition.

Credit risk concentration

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions throughout the world, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

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

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

in millions, except share and per share information

Note 12 • 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 December 31, 2011 and December 31, 2010, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
December 31, 2011				
Assets				
Available-for-sale securities	2			2
Derivative assets		93		93
Liabilities				
Derivative liabilities		42		42
December 31, 2010				
Assets				
Available-for-sale securities	2			2
Derivative assets		62		62
Liabilities				
Derivative liabilities		51		51

Note 13 • Other income/(expenses), net

For the years 2011, 2010, and 2009, other income/(expenses), net, consist of the following:

in EUR	2011	2010	2009
Foreign exchange gain/(loss), net	(1)	(3)	(2)
Interest income	5	3	5
Proportionate net income of investee companies	1		
Other non-operating income/(expenses), net	(11)	(1)	(4)
Total other income/(expenses), net	**(6)**	**(1)**	**(1)**

In 2011, other non-operating income/(expenses), net include a loss of EUR 11 related to the tender of the 5-year notes and the fixed rate notes (refer to Note 7 for further details).

Note 14 • Income taxes

Adecco S.A. is incorporated in Switzerland and the Company operates in various countries with differing tax laws and rates. A substantial portion of the Company's operations are outside 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. The weighted-average tax rate is calculated by aggregating pre-tax operating income or loss in each country in which the Company operates multiplied by the country's statutory income tax rate. Income before income taxes in Switzerland totalled EUR 215, EUR 114, and EUR 162 in 2011, 2010, and 2009, respectively. Foreign source income/(loss) before income taxes amounted to income of EUR 471 and EUR 489 in 2011 and 2010, respectively, and a loss of EUR 153 in 2009. The provision for income taxes consists of the following:

in EUR	2011	2010	2009
Provision for income taxes			
Current tax provision:			
• Domestic	26	26	16
• Foreign	192	148	61
Total current tax provision	**218**	**174**	**77**
Deferred tax provision/(benefit):			
• Domestic	5	(2)	21
• Foreign	(57)	7	(97)
Total deferred tax provision/(benefit)	**(52)**	**5**	**(76)**
Total provision for income taxes	**166**	**179**	**1**

The difference between the provision for income taxes and the weighted-average tax rate is reconciled as follows for the fiscal years:

in EUR	2011	2010	2009
Tax rate reconciliation			
Income taxed at weighted-average tax rate	128	138	(23)
Items taxed at other than weighted-average tax rate	58	22	(29)
Non-deductible expenses	11	16	11
Net change in valuation allowance	4	3	11
Non-deductible impairment of goodwill			38
Adjustments to deferred tax assets due to rate changes	(2)		3
Tax on undistributed earnings	(31)	1	
Other, net	(2)	(1)	(10)
Total provision for income taxes	**166**	**179**	**1**

In 2011 and 2010, the reconciling item "items taxed at other than weighted-average tax rate" includes the impact from the change in the French business tax law. Effective as of January 1, 2010, the French government introduced a new business tax law, which requires a portion of the business tax to be computed based on added value and consequently, under U.S. GAAP, this component previously reported as costs of services and SG&A is classified as income tax in 2011 and 2010. Furthermore, in 2011, 2010, and 2009, the reconciling item "items taxed at other than weighted-average tax rate" includes EUR 31, EUR 27, and EUR 13 positive impact related to the settlement of tax contingencies.

In 2011, the reconciling item "tax on undistributed earnings" includes a benefit of EUR 31 in connection with the reversal of a deferred tax liability related to distributable earnings of the Company's Japanese subsidiary following the ratification of the Swiss-Japanese Tax Treaty, which resulted in a reduction of withholding taxes payable upon distribution of dividends to Switzerland. As of December 31, 2011 and December 31, 2010, a deferred tax liability of EUR 16 and EUR 45 has been provided for non-Swiss withholding taxes and additional Swiss taxes due upon the future dividend payment of cumulative undistributed earnings. In 2011 and 2010, the Company has not provided for Swiss income taxes on one of its Swiss subsidiaries' undistributed earnings as such amounts are permanently reinvested. As of December 31, 2011 and December 31, 2010, such earnings amounted to approximately EUR 2,773 and EUR 2,695, respectively. It is not practicable to estimate the amount of taxes that would be payable upon remittance of these earnings.

in millions, except share and per share information

Temporary differences that give rise to deferred income tax assets and liabilities are as follows:

in EUR	31.12.2011	31.12.2010
Temporary differences		
Net operating loss carryforwards and capital losses	218	237
Tax credits	27	20
Depreciation	9	14
Deferred compensation and accrued employee benefits	101	86
Allowance for doubtful accounts	14	16
Accrued expenses	66	55
Intercompany transactions	26	25
Other	30	20
Gross deferred tax assets	**491**	**473**
Unrecognised tax benefits provision, net	(33)	(45)
Valuation allowance	(125)	(120)
Deferred tax assets, net	**333**	**308**
Intangible assets book basis in excess of tax basis	(147)	(151)
Tax amortisation in excess of financial amortisation	(91)	(66)
Undistributed earnings of subsidiaries	(16)	(45)
Other	(26)	(12)
Deferred tax liabilities	**(280)**	**(274)**
Deferred tax assets, net of deferred tax liabilities	**53**	**34**

Management's assessment of the realisation of deferred tax assets is made on a country-by-country basis. The assessment is based upon the weight of all available evidence, including factors such as the recent earnings history and expected future taxable income. A valuation allowance is recorded to reduce deferred tax assets to a level which, more likely than not, will be realised.

Valuation allowances on deferred tax assets of foreign and domestic operations increased by EUR 5 to EUR 125. Included in the change of the valuation allowance is an increase of EUR 4 for 2011 and prior years' losses and EUR 3 for losses generated by acquired companies prior to acquisition. This was partly offset by a decrease of EUR 2 related to unrecognised tax benefits and reversal of prior years' losses and related valuation allowance.

The following table summarises the deferred tax assets and deferred tax liabilities reported by the Company as of December 31, 2011 and December 31, 2010:

in EUR	Balance sheet location	31.12.2011	31.12.2010
Deferred tax assets – current	Other current assets	161	152
Deferred tax assets – non-current	Other assets	106	110
Deferred tax liabilities – current	Other accrued expenses	(20)	(6)
Deferred tax liabilities – non-current	Other liabilities	(194)	(222)
Deferred tax assets, net of deferred tax liabilities		**53**	**34**

As of December 31, 2011, the Company had approximately EUR 732 of net operating loss carryforwards and capital losses. These losses will expire as follows:

in EUR	2012	2013	2014	2015	2016	Thereafter	No expiry	Total
Expiration of losses by year	2	9	3	13	11	120	574	732

The largest net operating loss carryforwards are in the UK, Germany, Netherlands, France, and Brazil and total EUR 529 as of December 31, 2011. The losses in the Netherlands begin to expire in 2018. The losses in the UK, Germany, France, and Brazil do not expire. In addition, tax credits of EUR 27 are predominantly related to the US operations and begin to expire in 2018.

As of December 31, 2011, the amount of unrecognised tax benefits including interest and penalties is EUR 287 of which EUR 197 would, if recognised, decrease the Company's effective tax rate. As of December 31, 2010, the amount of unrecognised tax benefits including interest and penalties was EUR 291 of which EUR 244 would have, if recognised, decreased the Company's effective tax rate.

The following table summarises the activity related to the Company's unrecognised tax benefits:

in EUR	Unrecognised tax benefits
Balance as of January 1, 2009	**289**
Increases related to current year tax positions	25
Expiration of the statute of limitations for the assessment of taxes	(5)
Settlements with tax authorities	(8)
Additions to prior years	2
Decreases to prior years	(59)
Foreign exchange currency movement	(1)
Balance as of December 31, 2009	**243**
Increases related to current year tax positions	35
Expiration of the statute of limitations for the assessment of taxes	(16)
Settlements with tax authorities	(6)
Additions to prior years including acquisitions	27
Decreases to prior years	(56)
Foreign exchange currency movement	16
Balance as of December 31, 2010	**243**
Increases related to current year tax positions	26
Expiration of the statute of limitations for the assessment of taxes	(14)
Settlements with tax authorities	(3)
Additions to prior years including acquisitions	33
Decreases to prior years	(60)
Foreign exchange currency movement	5
Balance as of December 31, 2011	**230**

in millions, except share and per share information

In 2011, the item "decreases to prior years" includes EUR 57 related to a settlement of contingencies with a corresponding offset to net operating losses carryforwards and a favourable impact of EUR 31 to the income tax expense. Furthermore, in 2011 the item "additions to prior years including acquisitions" mainly relates to changes in estimates due to current year audit activity and pre-acquisition contingencies. In 2010, the item "decreases to prior years" includes EUR 51 related to a settlement of contingencies with a corresponding offset to net operating losses carryforwards and a favourable impact of EUR 27 to the income tax expense. Furthermore, in 2010 the item "additions to prior years including acquisitions" mainly relates to changes in estimates due to current year audit activity and pre-acquisition contingencies. In 2009, the item "decreases to prior years" includes EUR 53 related to a settlement of contingencies with a corresponding offset to net operating losses carryforwards and a favourable impact of EUR 13 to the income tax expense.

The Company recognises interest and penalties related to unrecognised tax benefits as a component of the provision for income taxes. As of December 31, 2011 and December 31, 2010, the amount of interest and penalties recognised in the balance sheet amounted to EUR 57 and EUR 48, respectively. The total amount of interest and penalties recognised in the statement of operations was a net expense of EUR 9, EUR 22, and EUR 2 in 2011, 2010, and 2009, respectively.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statute of limitations. The open tax years by major jurisdiction are as follows:

	Open tax years
Country	
Australia	2001 onwards
Canada	1999 onwards
France	2006 onwards
Germany	2002 onwards
Italy	2003 onwards
Japan	2005 onwards
Netherlands	2005 onwards
Spain	2007 onwards
UK	2008 onwards
USA	2010 onwards

In certain jurisdictions, the Company may have more than one tax payer. The table above reflects the statute of limitations of years open to examination for the major tax payers in each major tax jurisdiction.

Based on the outcome of examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change in the next 12 months from those recorded as liabilities for uncertain tax positions in the financial statements. An estimate of the range of the possible changes cannot be made until issues are further developed or examinations close.

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

Note 15 · Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	2011		2010		2009	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income attributable to Adecco shareholders	519	519	423	423	8	8
Interest on convertible bond, net of tax				2		
Net income available for earnings per share calculation	**519**	**519**	**423**	**425**	**8**	**8**
Denominator						
Weighted-average outstanding shares	172,394,340	172,394,340	174,151,587	174,151,587	174,091,286	174,091,286
Weighted-average shares deliverable under prepaid forward	18,277,383	18,277,383	17,961,492	17,961,492	3,515,530	3,515,530
Weighted-average shares	**190,671,723**	**190,671,723**	**192,113,079**	**192,113,079**	**177,606,816**	**177,606,816**
Incremental shares for assumed conversions:						
• Convertible bond				3,417,413		
• Employee stock-based compensation		133,357		65,833		7,175
Total average equivalent shares	**190,671,723**	**190,805,080**	**192,113,079**	**195,596,325**	**177,606,816**	**177,613,991**
Per share amounts						
Net earnings per share	**2.72**	**2.72**	**2.20**	**2.17**	**0.04**	**0.04**

The weighted-average shares include 18,277,383, 17,961,492, and 3,515,530 shares for 2011, 2010, and 2009, respectively deliverable under the prepaid forward with Adecco Investment. The exercise price of the prepaid forward is 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 392,108 in 2011, 1,583,834 in 2010, and 4,027,697 in 2009 were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive. The effect of the convertible bond, comprising EUR 6 of interest expense add-back and 7,569,582 additional incremental shares, was excluded from the computation in 2009 as the effect would have been anti-dilutive.

Note 16 · Segment reporting

Since January 1, 2011, 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 segments consist of France, North America, UK & Ireland, Japan, Germany & Austria, Benelux, Italy, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. 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 and impairment of goodwill and intangible assets, which is defined as the amount of income before amortisation and impairment of goodwill and intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, other assets, intangible assets, net, and goodwill, but exclude investments in subsidiaries and intercompany balances. The accounting principles used for the segment reporting are those used by the Company.

in millions, except share and per share information

Revenues derived from temporary staffing represented 91% in 2011 and 92% in both 2010 and 2009 of the Company's revenues. The remaining portion was derived from permanent placement, outsourcing, career transition (outplacement), and other services.

in EUR	France [1]	North America [1]	UK & Ireland	Japan [1]	Germany & Austria [1]	Benelux [1]	Italy [1]	Other [1]	Corporate	Total
2011 segment reporting										
Revenues	6,066	3,646	1,707	1,406	1,544	961	1,032	4,183		20,545
Depreciation	(18)	(16)	(8)	(8)	(8)	(6)	(3)	(19)	(7)	(93)
Operating income before amortisation and impairment of goodwill and intangible assets	220	161	32	80	110	44	60	189	(82)	814
Amortisation of intangible assets										(51)
Impairment of goodwill and intangible assets										
Operating income										763
Interest expense, and other income/(expenses), net										(77)
Provision for income taxes										(166)
Net income										**520**
Capital expenditures	(23)	(19)	(3)	(4)	(9)	(5)	(4)	(32)	(10)	(109)
Segment assets	1,638	2,122	729	329	1,820	301	199	1,791	425	9,354
Long-lived assets [2]	107	119	23	38	32	18	7	126	47	517

in EUR	France [1]	North America [1]	UK & Ireland	Japan [1]	Germany & Austria [1]	Benelux [1]	Italy [1]	Other [1]	Corporate	Total
2010 segment reporting										
Revenues	5,494	3,488	1,630	1,295	1,231	889	842	3,787		18,656
Depreciation	(16)	(17)	(10)	(5)	(8)	(6)	(3)	(16)	(6)	(87)
Operating income before amortisation and impairment of goodwill and intangible assets	199	134	22	69	82	41	38	211	(74)	722
Amortisation of intangible assets										(55)
Impairment of goodwill and intangible assets										
Operating income										667
Interest expense, and other income/(expenses), net										(64)
Provision for income taxes										(179)
Net income										**424**
Capital expenditures	(42)	(13)	(1)	(8)	(7)	(3)	(3)	(21)	(7)	(105)
Segment assets	1,564	2,192	704	281	1,801	320	194	1,461	362	8,879
Long-lived assets [2]	104	111	27	45	24	15	6	82	59	473

in EUR	France[1]	North America[1]	UK & Ireland	Japan[1]	Germany & Austria[1]	Benelux[1]	Italy[1]	Other[1]	Corporate	Total
2009 segment reporting										
Revenues	4,717	2,121	947	1,338	1,023	796	681	3,174		14,797
Depreciation	(14)	(12)	(11)	(4)	(9)	(6)	(4)	(16)	(5)	(81)
Operating income before amortisation and impairment of goodwill and intangible assets	56	31	(13)	95	31	5	5	156	(67)	299
Amortisation of intangible assets										(42)
Impairment of goodwill and intangible assets										(192)
Operating income										65
Interest expense, and other income/(expenses), net										(56)
Provision for income taxes										(1)
Net income										**8**
Capital expenditures	(31)	(9)	(8)	(5)	(7)	(7)	(2)	(19)	(4)	(92)
Segment assets	1,337	1,442	434	241	1,736	297	160	1,189	995	7,831
Long-lived assets[2]	80	81	34	30	27	23	7	52	36	370

Information by country is as follows:

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Revenues									
2011	6,144	3,182	1,694	1,503	1,407	1,035	482	5,098	20,545
2010	5,588	3,099	1,615	1,197	1,297	844	399	4,617	18,656
2009	4,806	1,947	931	990	1,343	683	342	3,755	14,797
Long-lived assets									
2011	121	126	23	32	39	7	38	131	517
2010	116	107	27	23	46	6	52	96	473
2009	92	79	34	26	30	7	30	72	370

Revenues by business line are as follows:

in EUR	Office	Industrial	Information Technology	Engineering & Technical	Finance & Legal	Medical & Science	Solutions	Total
Revenues								
2011	5,301	10,642	2,176	1,009	722	384	311	20,545
2010[3]	4,871	9,403	2,049	956	705	360	312	18,656
2009[3]	4,467	7,694	1,113	610	322	245	346	14,797

1 Since January 1, 2011, LHH is reported as a separate segment and presented in Other above. The 2010 and 2009 information has been restated to conform to the current year presentation.

2 Long-lived assets include fixed assets and other non-current assets.

3 The 2011 information includes certain changes in the allocation of branches to business lines. The 2010 and 2009 information has been restated to conform to the current year presentation.

in millions, except share and per share information

Note 17 • Commitments and contingencies

The Company leases facilities under operating leases, certain of which require payment of property taxes, insurance, and maintenance costs. Operating leases for facilities are usually renewable at the Company's option.

Total rent expense under operating leases amounted to EUR 215 in both 2011 and 2010, and to EUR 223 in 2009. Future minimum annual lease payments under operating leases are as follows:

in EUR	2012	2013	2014	2015	2016	Thereafter	Total
Lease payments by year	199	136	105	79	97	51	667

As of December 31, 2011, the Company had future purchase and service contractual obligations of approximately EUR 173 primarily related to acquisitions (refer to Note 19 for further details), IT development and maintenance agreements, marketing sponsorship agreements, equipment purchase agreements, and other vendor commitments. Future payments under these arrangements are as follows:

in EUR	2012	2013	2014	2015	2016	Thereafter	Total
Contractual obligations by year	161	6	3	3			173

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 661, 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 18 • Risk management

The Company's Board of Directors, who is ultimately responsible for the risk management of the Company, has delegated its execution to Group management.

The risk management process is embedded into the Company's strategic and organisational context. The process is focused on managing risks as well as identifying opportunities. The Company's risk management process covers the significant risks for the Company including financial, operational, and strategic risks. All countries perform the risk management process on a regular basis and report their results to Group management. The Company's risk management activities consist of risk identification, risk assessment, risk response, and risk monitoring.

The Company's Risk Management Steering Committee supports the countries when identifying risks. The defined risk categories are divided into externally and internally driven risks. The Risk Management Steering Committee has defined 16 overarching risk categories, which can have a significant impact on the Company's results. Those key recurring risk categories are, amongst others, economic trends/situation, client attraction/retention, associate attraction/retention, employee attraction/retention, financial reporting, IT environment, change in regulatory/legal and political environment, integration risk, and fraudulent activities. All identified risk categories have to be assessed by all countries within the Company.

The risk assessment includes the following steps: estimation of the potential risk impact on the financial results, assessment of the likelihood of the risk occurrence, assessment of the effectiveness of existing internal controls, and development of action plans needed to mitigate the risk to an acceptable level.

The risk assessment is aligned with the Company's decentralised organisational structure. The countries report to Group management a comprehensive risk assessment, including mitigating actions. At the Group management level, the individual country results are reviewed and discussed with the countries before being categorised and consolidated. Risk monitoring is performed at Group level on a regular basis.

The financial reporting risk includes the failure to comply with external reporting requirements due to failure of internal controls and lack of knowledge of financial reporting requirements relating to accounting and reporting. The Company has implemented a Group Policy environment as well as an Internal Control System in order to mitigate the risk of failure to comply with financial reporting requirements. The Company's Internal Control System is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements.

The financial market risk primarily relates to foreign exchange, interest rates, and equity market risk and is further discussed in Note 11. Except for the equity market risk, these exposures are actively managed by the Company in accordance with written policies approved by the Board of Directors. The Company's objective is to minimise, where deemed appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. It is the Company's policy to use a variety of derivative financial instruments to hedge these exposures in the absence of natural hedges.

The Company concluded that the risk management process has worked properly throughout 2011.

Note 19 • Subsequent events

In January 2012, the Company acquired all outstanding common shares of VSN Inc ("VSN"), a leading provider of professional staffing services in Japan, for an enterprise value of EUR 90[1]. 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.

On February 8, 2012, Adecco S.A. issued CHF 350 unsubordinated fixed rate notes due February 8, 2016. The 4-year notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds will be used for general corporate purposes. Interest is paid on the fixed rate notes annually in arrears at a fixed annual rate of 2.125%.

On March 1, 2012, the Company announced that in order to further strengthen the Group's position in France and to ensure sustainable profitability, the Company is informing and consulting the French Works Councils on its plans to unite the networks of Adecco and Adia under the Adecco brand. Combining the expertise of both general staffing businesses under a single roof would facilitate an even better offering for clients, candidates, and colleagues. At the same time, the cost base would be further optimised through the planned reduction of over 500 full-time equivalent ("FTE") employees and further branch network and shared service centre consolidation. The Company expects to invest approximately EUR 45, the majority of which would be incurred during the second half of 2012.

The Company has evaluated subsequent events through March 13, 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 March 13, 2012 that would have a material impact on the consolidated financial statements.

1 Based on an exchange rate of 101.36 JPY/EUR.