Half Year Report 2011

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Adecco Group – Selected financial information (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	2011	2010
Statements of operations		
Revenues	10,081	8,608
Amortisation of intangible assets	(27)	(27)
Operating income	344	254
Net income attributable to Adecco shareholders	241	154

As of (in EUR)	30.06.2011	31.12.2010
Balance sheets		
Cash and cash equivalents and short-term investments	386	554
Trade accounts receivable, net	3,842	3,541
Goodwill	3,182	3,273
Total assets	8,914	8,879
Short-term debt and current maturities of long-term debt	362	217
Accounts payable and accrued expenses	3,481	3,472
Long-term debt, less current maturities	1,209	1,088
Total liabilities	5,555	5,312
Total shareholders' equity	3,359	3,567

For the six months ended June 30 (in EUR)	2011	2010
Cash flows from operations		
Cash flows from/(used in) operating activities	(30)	30
Cash used in investing activities	(97)	(874)
Cash used in financing activities	(21)	(222)
Other indicators		
Capital expenditures	50	45

As of	30.06.2011	31.12.2010
Other indicators		
Net debt (in EUR)[1]	1,185	751
Additional statistics		
Number of FTE employees at end of period (approximate)	33,000	32,000

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

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Operational results

1.1 Overview

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

Revenues for the first six months of 2011 amounted to EUR 10,081. Compared to the same period last year, revenues increased by 17%. Acquisitions added 2% to revenues. In the first six months of 2011, permanent placement revenues totalled EUR 175, an increase of 27% (acquisitions added 4%), and outplacement revenues amounted to EUR 95, a decrease of 22%, both in constant currency.

Gross margin was 17.2%, down 70 basis points ("bps") compared to the first six months of 2010. This decrease was mainly due to the declining contribution from the temporary staffing business (50 bps) and the lower contribution on gross margin from the outplacement business (30 bps). The temporary gross margin was negatively impacted by the cut in payroll tax subsidies in France (20 bps), effective as of January 1, 2011. The permanent placement business positively impacted the gross margin by 10 bps.

Selling, general, and administrative expenses ("SG&A") increased by 8% or 7% in constant currency. SG&A as a percentage of revenues decreased by 110 bps to 13.5% in the first six months of 2011. The branch network grew by 1% and full-time equivalent ("FTE") employees increased by 1,500 or 6%. As of the end of June 2011, the Company had approximately 33,000 FTE employees and operated a network of over 5,500 branches.

Amortisation of intangible assets amounted to EUR 27 in the first six months of 2011, unchanged from the same period in 2010.

Operating income. In the first six months of 2011, the operating income amounted to EUR 344 compared to EUR 254 in the same period of 2010. The operating income margin was 3.4% for the first six months of 2011 and 3.0% for the first six months of 2010. Operating income increased by 35% or by 37% in constant currency and the operating income margin increased by 40 bps.

Interest expense was EUR 32 compared to EUR 31 in the first six months of 2010. **Other income/(expenses), net,** amounted to an expense of EUR 11 mainly due to the EUR 11 loss recognised in connection with the bond tender completed in April 2011 (for further details refer to Note 2). This compared to income of EUR 1 in the same period last year.

In the first six months of 2011, the Company recorded an income tax expense of EUR 59 compared to EUR 70 in the same period of 2010. The **effective tax rate** in the first six months of 2011 was 20% compared to 31% in the same period of 2010. The income tax rate in the first six months of 2011 and in the first six months of 2010 includes the positive impact of EUR 32 and EUR 10, respectively from the successful resolution of prior years' audits and the expiration of the statute of limitations in several jurisdictions.

Net income attributable to Adecco shareholders amounted to EUR 241 in the first six months of 2011, compared to EUR 154 in the same period of 2010. Basic earnings per share ("EPS") was EUR 1.26 in the first six months of 2011 compared to EUR 0.80 in the first six months of 2010.

1.2 Segment performance

The segment breakdown of revenues and operating income for the six months ended June 30, 2011 and June 30, 2010 is presented in the following table:

			Variance %	
in EUR	**2011**	**2010**	**EUR**	**Constant currency**
Revenues[1]				
France	3,004	2,531	19	19
North America[2]	1,826	1,594	15	19
UK & Ireland[2]	817	772	6	5
Japan	682	619	10	3
Germany & Austria[2]	738	549	35	35
Benelux[2]	469	409	15	15
Italy	520	381	36	36
Nordics	400	334	20	14
Iberia	367	338	8	8
Australia & New Zealand	245	195	26	13
Switzerland	221	162	36	20
Emerging Markets	683	587	16	17
LHH	109	137	(20)	(19)
Adecco Group[2]	**10,081**	**8,608**	**17**	**17**
Operating income[1]				
France	94	76	23	23
North America	75	54	39	48
UK & Ireland	15	7	108	106
Japan	40	34	19	11
Germany & Austria	48	26	87	87
Benelux	20	11	77	77
Italy	34	16	106	106
Nordics	6	15	(58)	(60)
Iberia	11	10	4	4
Australia & New Zealand	7	4	72	58
Switzerland	20	13	57	38
Emerging Markets	19	16	21	23
LHH	21	36	(41)	(40)
Corporate Expenses	(39)	(37)		
Operating income before amortisation of intangible assets	**371**	**281**	**32**	**34**
Amortisation of intangible assets	(27)	(27)		
Adecco Group	**344**	**254**	**35**	**37**

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

2 In the first six months of 2011, revenues changed organically in North America by 14%; UK & Ireland by 2%; Germany & Austria by 34%; Benelux by 14%; and Adecco Group by 15%.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

France
In the first six months of 2011, revenues in France increased by 19% and operating income amounted to EUR 94 compared to EUR 76 in the first six months of 2010. The operating income margin was 3.1% in the first six months of 2011. The French payroll tax subsidy cut had a negative impact on the operating income margin in France of 55 bps.

North America
In North America, revenues increased by 15%, or by 14% organically, compared to the first six months of 2010. Operating income in the first six months of 2011 was EUR 75, an increase of 48% in constant currency. Furthermore, in the first six months of 2011, the operating income margin increased by 70 bps to 4.1%.

UK & Ireland
In the first six months of 2011, revenues in the UK & Ireland increased by 6% or by 2% organically. In the first six months of 2011, the UK & Ireland operating income amounted to EUR 15 compared to EUR 7 in the first six months of 2010.

Japan
In Japan, revenues increased by 10% or by 3% in constant currency, compared to the first six months of 2010. Operating income was EUR 40 compared to EUR 34 in the first six months of 2010 and the operating income margin increased from 5.5% in the first six months of 2010 to 5.9% in the first six months of 2011.

Germany & Austria
In Germany & Austria, revenues increased by 35% compared to the first six months of 2010. Operating income amounted to EUR 48 compared to EUR 26 in the same period of 2010. The operating income margin was 6.5% in the first six months of 2011 compared to 4.7% in the first six months of 2010.

Benelux
In the first six months of 2011, revenues in Benelux increased by 15%. The operating income margin improved by 150 bps to 4.3% in the first six months of 2011 compared to the first six months of 2010.

Italy
Revenue growth in Italy remained exceptionally strong, increasing by 36%, mainly driven by continued strong growth in the Industrial business. Italy achieved strong improvements in profitability, as the operating income margin was up 210 bps to 6.4% in the first six months of 2011 compared to the same period of 2010.

Other
Revenues in the Nordics increased by 14% in constant currency. The operating income margin was 1.5% compared to 4.4% in the prior year's first six months. The results of the first six months of 2011 were negatively impacted by EUR 9 related to the issues in the Medical & Science business in Norway.

In Iberia, revenues increased by 8%, despite the challenging economic conditions in the region.

Revenues were up 26% or 13% in constant currency in Australia & New Zealand in the first six months of 2011.

Switzerland grew revenues by 36% or by 20% in constant currency and continued to deliver very strong profitability, driven by strict cost control, with an operating income margin of 9.2% in the first six months of 2011.

Emerging Markets continued to perform strongly in the first six months of 2011 with revenues up 17% in constant currency, mainly driven by Eastern Europe and India. Operating income was up 23% in constant currency and the operating income margin was 2.8%.

Revenues of Lee Hecht Harrison ("LHH"), Adecco's career transition and talent development business, amounted to EUR 109, a decline of 19% in constant currency, in the first six months of 2011. Operating income totalled EUR 21 and the operating income margin was 19.5%.

1.3 Business line performance

The business line breakdown of revenues for the six months ended June 30, 2011 and June 30, 2010 is presented below:

in EUR	2011	2010	Variance % EUR	Variance % Constant currency
Revenues [1, 2]				
Office	2,606	2,305	13	11
Industrial	5,216	4,248	23	22
General Staffing	**7,822**	**6,553**	**19**	**18**
Information Technology	1,057	948	11	11
Engineering & Technical	504	447	13	15
Finance & Legal	362	329	10	12
Medical & Science	189	166	14	14
Professional Staffing	**2,112**	**1,890**	**12**	**12**
Solutions	**147**	**165**	**(11)**	**(9)**
Adecco Group	**10,081**	**8,608**	**17**	**17**

1 Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. Solutions include revenues from Human Capital Solutions, Managed Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS"). The 2010 information has been restated to conform to the current year presentation.

2 In the first six months of 2011, revenues changed organically in Information Technology by 7%; Engineering & Technical by 11%; Finance & Legal by 2%; Medical & Science by 9%; Professional Staffing by 7%; Solutions by –11%; and Adecco Group by 15%.

General Staffing

The Company's Office and Industrial businesses which represented 78% of total revenues in the first six months of 2011 increased by 19%, or by 18% in constant currency, to EUR 7,822 compared to the first six months of 2010. In the Industrial business, revenues increased by 23%, or by 22% in constant currency. In France, revenues increased by 20%. In North America, revenues increased by 18% in constant currency, whereas both Germany & Austria and Italy reported a revenue increase of 42%. Revenues in France, North America, Germany & Austria, and Italy comprised over 75% of the Industrial business. In the Office business, revenues increased by 13% or by 11% in constant currency. In constant currency, the UK & Ireland reported a revenue decline of 1%, whereas revenues in North America grew by 20%, or by 24% in constant currency. In Japan, revenues increased by 10% (or by 3% in constant currency) and in the Nordics revenues grew by 22% (or by 15% in constant currency). The combined revenues from these four segments represented over 55% of the Office business revenues.

Information Technology

In Information Technology, revenues increased by 11%, or by 7% organically. Revenues in the UK & Ireland increased by 10% in constant currency or by 7% organically, while in North America revenues increased by 10% in constant currency or remained flat organically. The UK & Ireland and North America comprised over 70% of the Information Technology business line's revenues. Information Technology represented 10% of the Company's revenues in the first six months of 2011.

Engineering & Technical

In the first six months of 2011, revenues in the Engineering & Technical business increased by 13%, or by 11% organically. In North America, revenues increased by 23% in constant currency, or by 17% organically, while revenues in Germany & Austria increased by 19%. North America and Germany & Austria comprised over 75% of Engineering & Technical revenues. Engineering & Technical represented 5% of the Company's revenues in the first six months of 2011.

Finance & Legal
In Finance & Legal, revenues grew by 10% in the first six months of 2011 compared to the same period in 2010, or by 2% organically. The Finance & Legal businesses in North America and the UK & Ireland comprised over 70% of the business line's revenues. The Finance & Legal business line contributed 4% to the Company's revenues in the first six months of 2011.

Medical & Science
In the first six months of 2011, revenues in Medical & Science grew by 14% or by 9% organically.

Solutions
In Solutions, revenues decreased by 11%, by 9% in constant currency, and by 11% organically in the first six months of 2011 compared to the same period last year, mainly due to the decline in the counter-cyclical career transition business.

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

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

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

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

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

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

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

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

Cash used in operating activities amounted to EUR 30 in the first six months of 2011, compared to cash flows from operating activities of EUR 30 in the same period of 2010. Cash used in investing activities amounted to EUR 97 in the first six months of 2011 and included EUR 50 for capital expenditures. This compared to cash used in investing activities of EUR 874 in the first six months of 2010 which included EUR 831 net cash paid for the acquisition of MPS in January 2010 and EUR 45 for capital expenditures. Cash used in financing activities totalled EUR 21 in the first six months of 2011 and included payment of dividends of EUR 149 and purchase of treasury shares of EUR 134 partly offset by net inflows of EUR 259 related to the net increase of short- and long-term debt. In the first six months of 2010, cash used in financing activities amounted to EUR 222 and mainly comprised repayment of long-term debt in the amount of EUR 139 and payment of dividends of EUR 91.

Net debt increased by EUR 434 to EUR 1,185 at the end of June 2011 compared to December 2010, largely due to the payment of dividends (EUR 149), purchase of treasury shares (EUR 134), and capital expenditures (EUR 50).

DSO was 54.6 days in the first six months of 2011 compared to 53.5 days in the first six months of 2010.

4. Outlook

Revenue growth throughout the second quarter remained in double-digit territory, despite an increasingly more challenging base. In June, revenues were up 11% adjusted for trading days. July was a touch lower than June. In the current uncertain economic environment, the Company continues to see good demand from its clients, who value the flexibility the Company offers in terms of workforce solutions. Growth short-term will continue to be driven by the industrial staffing segment, and growth in the office business is expected to remain solid, while revenue growth in professional staffing is expected at levels similar to the second quarter.

On July 26, 2011, the Company announced the acquisition of Drake Beam Morin, Inc. ("DBM"). Combining Adecco's Lee Hecht Harrison ("LHH") business with DBM will create the world's largest provider in the career transition and talent development services sector. The acquisition considerably expands the global footprint of LHH beyond its main markets, the USA and France, into new geographies, and enhances its scale in markets with an existing presence. The Company expects cost synergies of approximately EUR 10 and the transaction to be immediately EPS accretive in year one and EVA[1]-enhancing after one year. The transaction remains subject to customary closing conditions, including the receipt of certain regulatory approvals. It is expected to close in the third quarter of 2011.

Management remains confident that the current business environment will continue to offer attractive growth opportunities. Given the level of economic uncertainty which currently persists, a cost conscious approach to run the business remains key. The Company expects the cost base to remain stable sequentially at constant currency. With the growth and profitability levels achieved to date, the Company is well on track to reach the mid-term EBITA[2] margin target of over 5.5%.

1 Economic Value Added (EVA) based on the Company's internal hurdle rate of 10%.

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

5. Forward-looking statements

Information in this report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this report are based on information available to the Company as of August 9, 2011, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this report are not guarantees of future performance and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- changes in regulation of temporary work;
- intense competition in the markets in which the Company operates;
- integration of acquired companies;
- changes in the Company's ability to attract and retain qualified internal and external personnel or clients;
- the potential impact of disruptions related to IT; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

Adecco Group – Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2011 (unaudited)	31.12.2010
Assets			
Current assets:			
• Cash and cash equivalents		383	549
• Short-term investments		3	5
• Trade accounts receivable, net		3,842	3,541
• Other current assets		379	351
Total current assets		**4,607**	**4,446**
Property, equipment, and leasehold improvements, net		288	291
Other assets		299	291
Intangible assets, net		538	578
Goodwill		3,182	3,273
Total assets		**8,914**	**8,879**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses		3,481	3,472
• Short-term debt and current maturities of long-term debt	2	362	217
Total current liabilities		**3,843**	**3,689**
Long-term debt, less current maturities	2	1,209	1,088
Other liabilities		503	535
Total liabilities		**5,555**	**5,312**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares		118	118
• Additional paid-in capital	3	2,454	2,602
• Treasury shares, at cost	3	(666)	(532)
• Retained earnings		1,802	1,561
• Accumulated other comprehensive income/(loss), net	3	(352)	(184)
Total Adecco shareholders' equity		**3,356**	**3,565**
Noncontrolling interests		3	2
Total shareholders' equity		**3,359**	**3,567**
Total liabilities and shareholders' equity		**8,914**	**8,879**

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

Adecco Group –
Consolidated statements of operations (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	Note	2011	2010
Revenues	9	10,081	8,608
Direct costs of services		(8,351)	(7,071)
Gross profit		**1,730**	**1,537**
Selling, general, and administrative expenses		(1,359)	(1,256)
Amortisation of intangible assets		(27)	(27)
Operating income	9	**344**	**254**
Interest expense		(32)	(31)
Other income/(expenses), net	2	(11)	1
Income before income taxes		**301**	**224**
Provision for income taxes	7	(59)	(70)
Net income		**242**	**154**
Net income attributable to noncontrolling interests		(1)	
Net income attributable to Adecco shareholders		**241**	**154**
Basic earnings per share	8	**1.26**	**0.80**
Basic weighted-average shares	8	191,864,453	191,971,225
Diluted earnings per share	8	**1.26**	**0.79**
Diluted weighted-average shares	8	191,989,599	197,344,706

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

Adecco Group – Consolidated statements of cash flows (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	**2011**	**2010**
Cash flows from operating activities		
Net income	242	154
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	73	68
• Other charges	3	23
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(400)	(466)
• Accounts payable and accrued expenses	85	210
• Other assets and liabilities	(33)	41
Cash flows from/(used in) operating activities	**(30)**	**30**
Cash flows from investing activities		
Capital expenditures	(50)	(45)
Acquisition of MPS, net of cash acquired		(831)
Cash settlements on derivative instruments	(47)	11
Other acquisition and investing activities		(9)
Cash used in investing activities	**(97)**	**(874)**
Cash flows from financing activities		
Net increase in short-term debt	143	7
Borrowings of long-term debt, net of issuance costs	330	
Repayment of long-term debt	(214)	(139)
Dividends paid to shareholders	(149)	(91)
Purchase of treasury shares	(134)	
Cash settlements on derivative instruments	2	
Other financing activities	1	1
Cash used in financing activities	**(21)**	**(222)**
Effect of exchange rate changes on cash	**(18)**	**41**
Net decrease in cash and cash equivalents	**(166)**	**(1,025)**
Cash and cash equivalents:		
• Beginning of year	549	1,458
• End of period	383	433

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

Adecco Group –

Consolidated statements of changes in shareholders' equity (unaudited)

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2010	**118**	**2,597**	**(561)**	**1,229**	**(271)**	**2**	**3,114**
Comprehensive income:							
Net income				154			154
Other comprehensive income/(loss):							
• Currency translation adjustment, net of tax					241		241
• Pension related adjustments, net of tax					(1)		(1)
Total comprehensive income							**394**
Stock-based compensation		2					2
Treasury shares transactions			2				2
Cash dividends, CHF 0.75 per share				(91)			(91)
June 30, 2010	**118**	**2,599**	**(559)**	**1,292**	**(31)**	**2**	**3,421**

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2011	**118**	**2,602**	**(532)**	**1,561**	**(184)**	**2**	**3,567**
Comprehensive income:							
Net income				241		1	242
Other comprehensive income/(loss):							
• Currency translation adjustment, net of tax					(170)		(170)
• Change in fair value of cash flow hedges, net of tax					2		2
Total comprehensive income							**74**
Stock-based compensation		5					5
Vesting of RSU awards		(4)	4				
Treasury shares transactions			(138)				(138)
Cash dividends, CHF 1.10 per share		(149)					(149)
June 30, 2011	**118**	**2,454**	**(666)**	**1,802**	**(352)**	**3**	**3,359**

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

Adecco Group – Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

Note 1 • Summary of significant accounting policies

Basis of presentation and principles of consolidation
The consolidated half year financial statements include Adecco S.A., a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which Adecco is considered the primary beneficiary (collectively, the "Company").

The consolidated subsidiaries include all majority-owned subsidiaries of the Company except for the variable interest entity Adecco Investment (Bermuda) Ltd. ("Adecco Investment"). On November 26, 2009, Adecco Investment, a wholly-owned subsidiary of the Company which is not consolidated, issued CHF 900 Senior Secured Limited Recourse Mandatory Convertible Bonds ("MCB") due November 26, 2012. The bonds will convert at maturity into shares of Adecco S.A., or at the option of the holders or Adecco Investment, the bonds may be converted into shares of Adecco S.A. at any time 41 days after November 26, 2009 until the 30th dealing day prior to the maturity date. The number of shares to be delivered at maturity will be calculated based on the closing price of the shares of Adecco S.A. As of June 30, 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 June 30, 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 June 30, 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 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 June 30, 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 75 (CHF 91) as of June 30, 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. As the Company will not absorb a majority of Adecco Investment's expected losses or receive a majority of the entity's expected residual returns, this entity is not consolidated. 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. As of June 30, 2011 and December 31, 2010, the Company had an investment in Adecco Investment with a carrying amount of EUR 5 recorded within other assets.

Adecco Group –
Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2010 and for the year then ended (except as noted below under "New accounting guidance").

Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2010 have been condensed or omitted. As a result, the financial information in the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Financial Review, the Corporate Governance and the Remuneration Report for the fiscal year ended December 31, 2010.

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

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

Use of estimates

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

New accounting guidance

In October 2009, the Financial Accounting Standards Board ("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 standard on January 1, 2011 and the adoption did not have a significant 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 disclosure. 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.

Note 2 • Financing arrangements

The Company's long-term and short-term debt as of June 30, 2011, amounted to EUR 1,571 compared to EUR 1,305 as of December 31, 2010. Short-term debt as of June 30, 2011 amounted to EUR 311 and consisted of bank overdrafts and borrowings under the commercial paper programme and under lines of credit, including EUR 50 drawn under the existing EUR 550 five-year committed multicurrency revolving credit facility maturing in 2013. Short-term debt as of December 31, 2010 amounted to EUR 168.

Long-term debt

The Company's long-term debt as of June 30, 2011 and December 31, 2010 consist of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2011	31.12.2010
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	488	
5-year guaranteed Euro medium-term notes	EUR 356	2014	7.625%	356	500
Fixed rate guaranteed notes	EUR 333	2013	4.5%	339	516
Medium-term loan, payable back in instalments by 2012				75	119
Other				2	2
				1,260	**1,137**
Less current maturities				(51)	(49)
Long-term debt, less current maturities				**1,209**	**1,088**

Exchange and tender offers for outstanding notes and issuance of new 7-year 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 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.

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.

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 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 111.53% 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.

Note 3 • Shareholders' equity

Authorised shares and appropriation of available earnings

The Company 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 as of June 30, 2011 and December 31, 2010. In addition, as of June 30, 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.

in millions, except share and per share information

During the six months ended June 30, 2011, the Company purchased 3,073,000 treasury shares for a consideration of EUR 138 (including EUR 4 paid in July 2011) and used 96,506 treasury shares to fulfil its obligations under the employee long-term incentive plan. In addition, during the six months ended June 30, 2011 and June 30, 2010, 172 and 33,333 stock options were exercised, respectively. Furthermore, in the first six months of 2011 and in the first six months of 2010, 4,697 and 5,356 treasury shares, respectively were awarded to the Chairman of the Board of Directors as part of his compensation package.

The Annual General Meeting of Shareholders of Adecco S.A. was held on April 19, 2011. The shareholders approved a dividend of CHF 1.10 per common share in respect of the fiscal year 2010. EUR 149 was reallocated from Adecco S.A.'s capital contribution reserves to the free reserves and subsequently paid to shareholders in the second quarter of 2011. The statutory capital contribution reserves are 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, the strike prices of both instruments were reduced due to the dividend distribution made by the Company in the second quarter.

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

	Sold prepaid forward		Purchased call spread option	
	Initial	30.06.2011	Initial	30.06.2011
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

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

in EUR	30.06.2011	31.12.2010
Currency translation adjustment	(336)	(166)
Unrealised gain on cash flow hedging activities	2	
Pension related adjustments	(18)	(18)
Accumulated other comprehensive income/(loss), net	**(352)**	**(184)**

Note 4 • Employee benefit plans

For the six months ended June 30, 2011 and June 30, 2010, estimated net pension expense for the defined benefit plans was as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2011	2010	2011	2010
Components of pension expense				
Service cost	5	4	2	1
Interest cost	2	1	2	2
Expected return on plan assets	(3)	(2)	(2)	(2)
Pension expense, net	**4**	**3**	**2**	**1**

Note 5 • Financial instruments

In accordance with Accounting Standards Codification ("ASC") 815, "Derivatives and Hedging" ("ASC 815"), all derivative instruments are initially recorded at cost as either other current assets, other assets, accounts payable and 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.

in millions, except share and per share information

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, including the US Dollar, the British Pound, the Japanese Yen, and the Euro against the Swiss Franc. 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 fixed interest rates through the use of derivative instruments.

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

Fair value of non-derivative financial instruments
The following table shows the carrying value and the fair value of non-derivative financial instruments as of June 30, 2011 and December 31, 2010:

	30.06.2011		31.12.2010	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	383	383	549	549
• Short-term investments	3	3	5	5
• Trade accounts receivable, net	3,842	3,842	3,541	3,541
Current liabilities:				
• Accounts payable	488	488	546	546
• Short-term debt	311	311	168	168
• Current maturities of long-term debt	51	52	49	50
Non-current liabilities:				
• Long-term debt	1,209	1,272	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.

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of June 30, 2011 and December 31, 2010:

		Notional amount		Fair value	
in EUR	Balance sheet location	30.06.2011	31.12.2010	30.06.2011	31.12.2010
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other assets	375	375	9	18
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	584	373	16	14
• Cross currency interest rate swaps	Other current assets	209		36	
• Cross currency interest rate swaps	Other assets	42	244	7	20
• Interest rate swaps	Other assets	50		2	
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other liabilities	50	50		(1)
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Accounts payable and accrued expenses	1,155	1,133	(54)	(49)
• Interest rate swaps	Other liabilities	50			
• Interest rate swaption	Other liabilities	50	50		
Total net derivatives				**16**	**2**

In addition, accrued interest receivable on interest rate swaps of EUR 2 and EUR 10 was recorded in other current assets as of June 30, 2011 and December 31, 2010, respectively. Accrued interest payable on cross currency interest rate swaps and interest rate swaps of EUR 1 was recorded in accounts payable and accrued expenses as of June 30, 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 June 30, 2011 and December 31, 2010, the total impact of non-performance risk and liquidity risk was a loss of EUR 1 and EUR 3, respectively.

in millions, except share and per share information

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. These contracts have an original contract period of three to five years and expire in 2014.

For the six months ended June 30, 2011 and June 30, 2010, 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, were as follows:

in EUR		Gain/(loss) on derivative recognised in earnings				Gain/(loss) on related hedged item recognised in earnings	
Derivative	**Location of gain/(loss) on derivative recognised in earnings**	**2011**	**2010**	**Hedged item**	**Location of gain/(loss) on related hedged item recognised in earnings**	**2011**	**2010**
Interest rate swaps	Interest expense	(8)	7	Long-term debt	Interest expense	8	(7)

In addition, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in the first six months of 2011 and first six months of 2010, due to ineffectiveness in fair value hedge relationship. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2011 and first six months of 2010.

In relation to the exchange and tender of the 5-year guaranteed Euro medium-term notes due 2014 and fixed rate guaranteed notes due 2013 (for further details refer to Note 2), fair value hedges of the exchanged and tendered part of the notes have been discontinued proportionally. The gain from the fair value adjustment to the debt balance of EUR 2 for the tendered notes has been considered in the calculation of the loss on the tender transaction, included in other income/(expenses), net. The gain from the fair value adjustment to the debt balance of EUR 2 for the exchanged notes has been deferred and is considered in the calculation of the effective interest rate of the 7-year notes.

Cash flow hedges
The effective portion of gains on cash flow hedges that was recognised in other comprehensive income/(loss), net, amounted to EUR 2 as of June 30, 2011. No gain or loss was recognised in other comprehensive income/(loss), net, as of June 30, 2010 in connection with cash flow hedges. As of June 30, 2011 and December 31, 2010, the gain relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 2 and less than EUR 1, respectively. No significant gains or losses were recorded in the first six months of 2011 and the first six months of 2010, due to ineffectiveness in cash flow hedge relationships. In the first six months of 2011 and the first six months of 2010, 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.

in millions, except share and per share information

Net investment hedges
As of June 30, 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. These are mainly forward foreign currency contracts and cross-currency interest rate swaps 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 loss of EUR 1 and a gain of less than EUR 1 for the six months ended June 30, 2011 and the six months ended June 30, 2010, respectively, as follows:

in EUR		Gain/(loss) on derivative recognised in earnings				Gain/(loss) on related hedged item recognised in earnings	
Derivative	**Location of gain/(loss) on derivative recognised in earnings**	**2011**	**2010**	**Hedged item**	**Location of gain/(loss) on related hedged item recognised in earnings**	**2011**	**2010**
Cross currency interest rate swaps	Other income/ (expenses), net	21	(13)	Loans to subsidiaries	Other income/ (expenses), net	(22)	13
Foreign currency contracts	Other income/ (expenses), net	(46)	(8)	Cash, loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	46	8

No significant amounts were included in other income/(expenses), net, for the six months ended June 30, 2011 and June 30, 2010 in relation to interest rate swaps and swaption not designated as hedging instruments under ASC 815.

Credit risk concentration
Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions 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 6 • Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010, consistent with the fair value hierarchy provisions of ASC 820 "Fair Value Measurements and Disclosures":

in EUR	Level 1	Level 2	Level 3	Total
June 30, 2011				
Assets				
Available-for-sale securities	2			2
Derivative assets		72		72
Liabilities				
Derivative liabilities		55		55
December 31, 2010				
Assets				
Available-for-sale securities	2			2
Derivative assets		62		62
Liabilities				
Derivative liabilities		51		51

Note 7 • Income taxes

Adecco S.A. is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside of Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2011 were provided at a rate of 20%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2010, the tax rate was 31%.

The income tax rate in the first six months of 2011 and in the first six months of 2010 includes the positive impact of EUR 32 and EUR 10, respectively, from the successful resolution of prior years' audits and the expiration of the statute of limitations in several jurisdictions.

As of June 30, 2011, the total amount of unrecognised tax benefits recorded decreased by EUR 29 compared to December 31, 2010 as a result of the settlement of tax audits, fluctuations in the exchange rates and the application of the statute of limitations in several jurisdictions. This was partly offset by current year additions. As of June 30, 2010, the total amount of unrecognised tax benefits recorded increased by EUR 44 compared to December 31, 2009 as a result of current year additions, acquisitions, and fluctuations in the exchange rates. This was partly offset by reductions related to the settlement of tax audits and the application of the statute of limitations in several jurisdictions.

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

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

Note 8 • Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2011 and June 30, 2010:

	2011		2010	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income attributable to Adecco shareholders	241	241	154	154
Interest on convertible bond, net of tax				2
Net income available for earnings per share calculation	**241**	**241**	**154**	**156**
Denominator				
Weighted-average outstanding shares	173,697,598	173,697,598	174,096,579	174,096,579
Weighted-average shares deliverable under prepaid forward	18,166,855	18,166,855	17,874,646	17,874,646
Weighted-average shares	**191,864,453**	**191,864,453**	**191,971,225**	**191,971,225**
Incremental shares for assumed conversions:				
• Convertible bond				5,332,596
• Employee stock-based compensation		125,146		40,885
Total average equivalent shares	**191,864,453**	**191,989,599**	**191,971,225**	**197,344,706**
Per share amounts				
Net earnings per share	**1.26**	**1.26**	**0.80**	**0.79**

The weighted-average shares include 18,166,855 and 17,874,646 shares as of June 30, 2011 and June 30, 2010, 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 397,501 as of June 30, 2011 and 1,745,033 as of June 30, 2010, were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive.

Note 9 • 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 classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

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

Adecco Group – Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

in EUR	France[1]	North America[1]	UK & Ireland	Japan[1]	Germany & Austria[1]	Benelux[1]	Italy[1]	Other[1]	Corporate	Total
Six months ended June 30, 2011										
Revenues	3,004	1,826	817	682	738	469	520	2,025		10,081
Depreciation	(9)	(8)	(4)	(4)	(4)	(3)	(2)	(9)	(3)	(46)
Operating income before amortisation of intangible assets	94	75	15	40	48	20	34	84	(39)	371
Amortisation of intangible assets										(27)
Operating income										344
Interest expense, and other income/(expenses), net										(43)
Provision for income taxes										(59)
Net income										**242**
Segment assets	1,792	2,013	722	258	1,854	322	219	1,492	242	8,914

in EUR	France[1]	North America[1]	UK & Ireland	Japan[1]	Germany & Austria[1]	Benelux[1]	Italy[1]	Other[1]	Corporate	Total
Six months ended June 30, 2010										
Revenues	2,531	1,594	772	619	549	409	381	1,753		8,608
Depreciation	(7)	(8)	(5)	(2)	(4)	(3)	(1)	(8)	(3)	(41)
Operating income before amortisation of intangible assets	76	54	7	34	26	11	16	94	(37)	281
Amortisation of intangible assets										(27)
Operating income										254
Interest expense, and other income/(expenses), net										(30)
Provision for income taxes										(70)
Net income										**154**
Segment assets	1,581	2,395	701	263	1,794	318	176	1,349	255	8,832

1 Since January 1, 2011, LHH is reported as a separate segment (included under Other). The 2010 information has been restated to conform to the current year presentation.

Note 10 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 601, including those letters of credit issued under the multicurrency revolving credit facility (EUR 83). 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 11 • Subsequent events

On July 26, 2011, the Company entered into an agreement to acquire Drake Beam Morin, Inc. ("DBM") for an enterprise value of EUR 149 (spot exchange rate USD/EUR 1.42). DBM is a leading provider in the career transition and talent development services sector. The transaction is subject to regulatory approvals and is expected to close in the third quarter of 2011. The transaction will be funded with the Company's existing financial resources.

The Company has evaluated subsequent events through August 9, 2011, the date the financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to August 9, 2011 that would have a material impact on the consolidated financial statements.

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