

Press Release

Adecco delivers double-digit revenue growth in Q2 2010

Strong improvement in profitability while pricing is stabilising

Q2 HIGHLIGHTS (Q2 2010 versus Q2 2009)

- Revenues of EUR 4.6 billion, up 29% (+13% organically¹)
- Gross margin of 17.8%, equal to Q2 2009 (-110 bps organically and adjusted²)
- SG&A increased by 8% (flat organically and adjusted)
- EBITA³ of EUR 175 million before integration costs (+46% organically and adjusted)
- EBITA margin at 3.8%, up 100 bps on an adjusted basis and excluding integration costs
- DSO at 53 days in Q2 2010, equal to Q2 2009

Key figures Q2 2010

in EUR millions	reported	reported growth	organic/adjusted growth
Revenues	4,646	+29%	+13%
Gross profit	825	+29%	+6%
EBITA before integration costs	175	+453%	+46%
EBITA	168	+430%	+39%
Operating income/(loss)	154	n.m.	
Net income/(loss) attributable to Adecco shareholders	97	n.m.	

Zurich, Switzerland, August 11, 2010: Adecco Group, the worldwide leader in Human Resource services, today announced results for the second quarter of 2010. Revenues were EUR 4.6 billion in Q2 2010, an increase of 13% on an organic basis. The gross margin was 17.8%, equal to the prior year's second quarter and down 110 bps organically and adjusted. SG&A increased by 8% and remained flat organically and adjusted. The Q2 2010 EBITA margin before integration costs was 3.8%, up 100 bps compared with the adjusted Q2 2009 EBITA margin of 2.8%. DSO were at 53 days in the second quarter of 2010, equal to Q2 2009.

Patrick De Maeseneire, Chief Executive Officer of the Adecco Group, said: "Business conditions in Q2 2010 improved considerably. We delivered strong growth in our main markets France and North America. Also Germany, Italy, Nordics and the Emerging Markets posted strong double-digit revenue growth. Demand was particularly strong in the industrial segment, but also our professional staffing business returned to growth in the second quarter. As expected, pricing in the temporary staffing business is stabilising and we achieved a gross margin of 17.8% in Q2 2010, thanks to continued strict price discipline and our increased exposure to professional staffing. Costs were tightly controlled in Q2 2010 and remained flat organically and adjusted. As a result, we achieved an EBITA margin before integration costs of 3.8%, an improvement of 100 bps compared to the adjusted prior year. To date, we see no evidence of a slowdown in our business and demand is robust across most markets. Revenue growth in June was approximately 16%, organically and adjusted for trading days. While keeping a tight grip on costs and pricing, we are very well positioned to take advantage of the current growth opportunities."

¹ Organic growth is a non US GAAP measure and excludes the impact of currency, acquisitions and divestitures.

² Adjusted is a non US GAAP measure excluding in Q2 2009 the negative impact on SG&A of EUR 54 million related to restructuring costs and, for better comparison, excluding in Q2 2009 the French business tax of EUR 15 million in costs of services and EUR 1 million in SG&A as those business tax components are shown as income tax as of 2010. Based on the new French business tax law, which is effective since January 1, 2010, a part of the business tax is computed based on added value and therefore under US GAAP classified as income tax. For further details please refer to page 13.

³ EBITA is a non US GAAP measure and refers to operating income/(loss) before amortisation and impairment of goodwill and intangible assets.

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Q2 2010 FINANCIAL PERFORMANCE

Revenues

Group revenues in Q2 2010 were up 29% to EUR 4.6 billion compared to Q2 2009. Organically, revenues increased by 13%. Permanent placement revenues amounted to EUR 77 million in Q2 2010, an increase of 70% in constant currency (+27% organically) and outplacement revenues totalled EUR 60 million, a decline of 30% in constant currency.

Gross Profit

The gross margin in Q2 2010 was 17.8%, equal to the prior year's second quarter, and down 110 bps when adjusting Q2 2009 for the new French business tax law, effective as of January 2010 and excluding acquisitions, which added 70 bps to the Group's gross margin in Q2 2010. The temporary staffing business had a negative impact of 60 bps on the gross margin in Q2 2010 and the outplacement business negatively impacted the gross margin by 70 bps. The permanent placement business positively impacted the gross margin by 20 bps in Q2 2010.

Selling, General and Administrative Expenses (SG&A)

In Q2 2010, SG&A increased by 8% compared to Q2 2009. Adjusted and organically SG&A remained flat compared to the prior year's period and increased sequentially by 3% on an organic basis. Integration costs amounted to EUR 7 million in Q2 2010. Organically, FTE employees decreased by 7% (-2,100) compared to the second quarter of 2009. Sequentially and on an organic basis FTE employees increased by 1%, mainly due to hirings in the Emerging Markets. The branch network was reduced by 11% (-640 branches). At the end of Q2 2010, the Adecco Group operated a network of more than 5,500 branches and had over 31,000 FTE employees.

EBITA

In the period under review, EBITA was EUR 168 million compared with EUR 32 million reported in Q2 2009. The second quarter 2010 EBITA margin was 3.6%, compared to 0.9% in the prior year. EBITA before integration costs was EUR 175 million. On an adjusted basis and organically, EBITA excluding integration costs increased by 46% in the quarter under review, and the EBITA margin was 3.8% up 100 bps in Q2 2010 when compared to the adjusted Q2 2009 EBITA margin of 2.8%.

Amortisation and Impairment of Goodwill and Intangible Assets

Amortisation of intangible assets amounted to EUR 14 million in the second quarter of 2010, compared to EUR 13 million in Q2 2009. In addition, in Q2 2009 the Adecco Group impaired EUR 192 million on goodwill and intangible assets.

Operating Income/(Loss)

In Q2 2010, the Adecco Group reported operating income of EUR 154 million. In Q2 2009, the Adecco Group reported an operating loss of EUR 173 million, impacted by impairment charges on goodwill and intangible assets of EUR 192 million.

Interest Expense and Other Income / (Expenses), net

The interest expense in the period under review amounted to EUR 16 million, EUR 1 million higher than in Q2 2009. Other income / (expenses), net was income of EUR 2 million in Q2 2010 compared to income of EUR 1 million in the second quarter of 2009. Interest expense is expected to be around EUR 65 million for the full year 2010.

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Provision for Income Taxes

The effective tax rate in Q2 2010 was 30% compared to 21% in Q2 2009. The Q2 2010 effective tax rate includes the impact from the change in the French business tax law, which led to an increase of the effective tax rate by 10 percentage points. This was partly offset by the positive impact from the successful resolution of prior years' audits and the expiration of statutes of limitations. The effective tax rate in Q2 2009 was positively impacted by the change in the mix of earnings and the successful resolution of prior years' audits substantially offset by the negative impact of the goodwill impairment charge which was not tax deductible.

Net Income/(Loss) attributable to Adecco shareholders and EPS

Net income attributable to Adecco shareholders in Q2 2010 was EUR 97 million compared to a net loss of EUR 147 million in the second quarter of 2009. Basic EPS was EUR 0.51 (a loss of EUR 0.85 for Q2 2009).

Cash flow, Net Debt⁴ and DSO

The operating cash flow generated in the first half of 2010 amounted to EUR 30 million compared to EUR 282 million in the same period last year. The Group paid dividends of EUR 91 million and invested EUR 45 million in capital expenditure. Net debt at the end of June 2010 was EUR 1,069 million compared to EUR 110 million at year end 2009. The increase in net debt is mainly a consequence of the purchase price consideration for MPS Group. DSO were 53 days in the second quarter of 2010, equal to Q2 2009.

Currency Impact

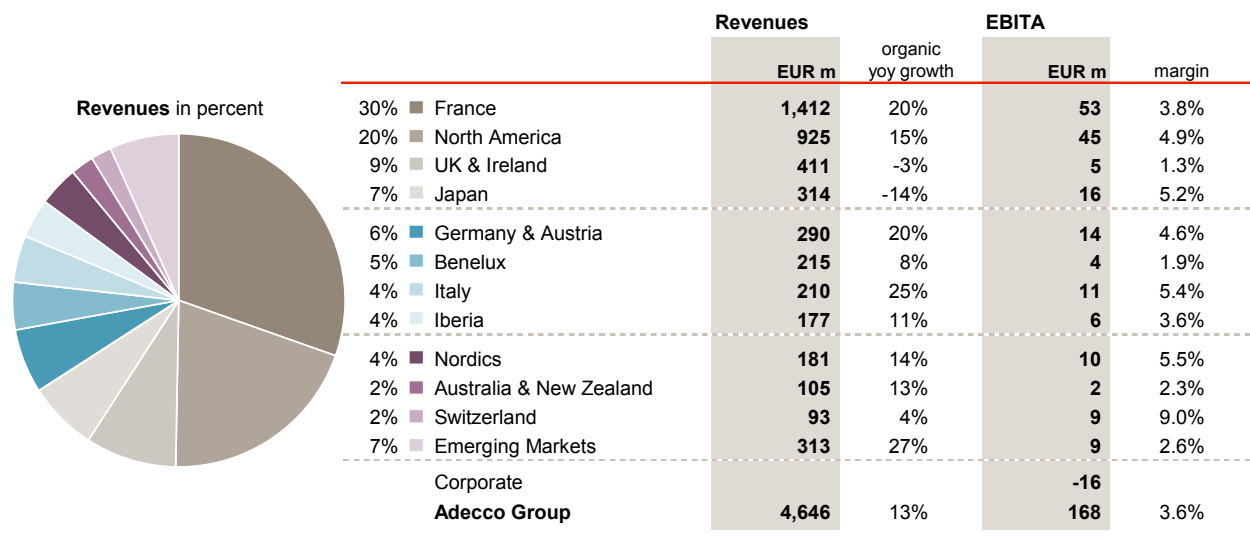
In Q2 2010, currency fluctuations had a positive impact on revenues of approximately 4%.

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

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GEOGRAPHICAL PERFORMANCE

Q2 2010



In Q2 2010, revenues in **France** increased by 20% to EUR 1.4 billion. EBITA was EUR 53 million in the quarter under review, which compares to a loss of EUR 10 million in Q2 2009. On an adjusted and organic basis EBITA increased by 52%. The EBITA margin was 3.8% in Q2 2010, up 80 bps compared to the adjusted prior year's second quarter. The impact on Q2 2010 EBITA due to the new business tax law in France was EUR 18 million.

North America recorded a 51% constant currency revenue increase in Q2 2010 to EUR 925 million. Organically, revenues were up 15%. General staffing generated 25% organic revenue growth, while professional staffing, excluding the counter-cyclical outplacement business, also returned to solid double-digit revenue growth on an organic basis. In Q2 2010, the outplacement business weakened considerably compared to the prior year, but profitability held up very well. Excluding the outplacement business, revenues in North America were up 21% organically. EBITA was up 44% in constant currency and down 4% organically. Integration costs related to MPS amounted to EUR 3 million in Q2 2010. The EBITA margin in Q2 2010 was 4.9%, down 30 bps compared to Q2 2009. Acquisitions added 50 bps to the EBITA margin in Q2 2010.

In the **UK & Ireland**, revenues in Q2 2010 increased by 84% in constant currency to EUR 411 million, but declined by 3% organically. EBITA was EUR 5 million in the quarter under review. Integration costs related to MPS and Spring amounted to EUR 4 million in Q2 2010.

In **Japan**, Q2 2010 revenues declined by 14% in constant currency to EUR 314 million. EBITA declined by 45% in constant currency and the EBITA margin was 5.2% compared to 8.2% in Q2 2009. Demand remained subdued also impacted by Adecco's large exposure to the late cyclical office segment, but costs remained well controlled.

In **Germany & Austria**, Q2 2010 revenues were up 21% (+20% organically) year-on-year to EUR 290 million, which compares to a revenue decline rate of 4% in Q1 2010. Germany & Austria generated EBITA of EUR 14 million in Q2 2010, a significant improvement from the EUR 4 million loss posted in the prior year's second quarter. In Q2 2010 the EBITA margin was 4.6%. The positive development was driven by strong double-digit revenue growth in the industrial staffing business.

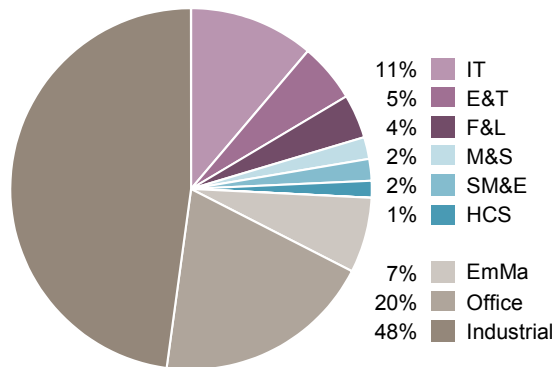
In Q2 2010 revenues in **Benelux** increased by 12% (+8% organically), and in **Italy** revenues were up 25%. Revenues in the **Nordics** increased by 14% in constant currency, while in **Iberia** revenues increased by 11%.

Emerging Markets delivered continued strong growth in Q2 2010 with revenues up 27% in constant currency, driven by South America, Eastern Europe and India. EBITA was up 12% in constant currency, while the EBITA margin was 2.6%.

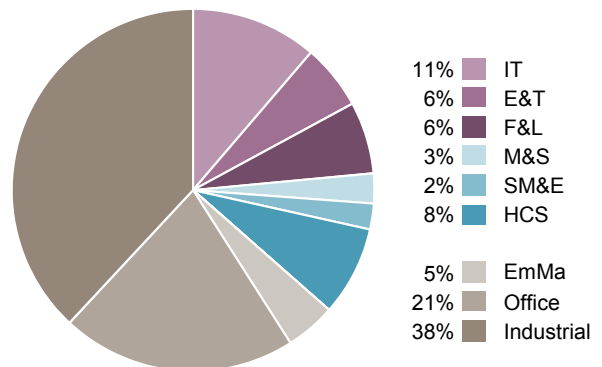
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BUSINESS LINE PERFORMANCE

Q2 2010 Revenues



Q2 2010 Gross profit



In Q2 2010, Adecco's revenues in the **Office & Industrial** businesses were EUR 3.1 billion, up 16% in constant currency (+15% organically). In the **Industrial** business, revenues were up 24% in constant currency, following a 5% increase in constant currency in Q1 2010. Growth was most significant in North America, where the year-on-year revenue trend improved from +13% in Q1 2010 to +37% in Q2 2010 in constant currency, in Germany & Austria from -1% to +33%, in Italy from +1% to +29% and in France from +9% to +24%. In the **Office** business, revenues were flat in constant currency (-2% organically), a further improvement compared to Q1 2010, where revenues declined by 11% in constant currency (-12% organically). Revenues in Japan decreased by 13% in constant currency in Q2 2010, following a decline of 24% in Q1 2010. North America increased by 17% (+11% organically) in Q2 2010 compared to +10% (+7% organically) in Q1 2010 and in the UK & Ireland the revenue decline rate improved from -9% (-14% organically) in Q1 2010 to -4% (-11% organically) in Q2 2010, all in constant currency.

The **Professional Business**⁵ revenues in Q2 2010 increased 57% in constant currency (+2% organically). The gross margin declined by 420 bps to 25.1%, mainly driven by the slowing outplacement business.

In **Information Technology (IT)**, Adecco's revenues increased 85% in constant currency (flat organically). In North America, revenues in Q2 2010 were up 103% (-7% organically) and in the UK & Ireland revenues were up 217% (+14% organically), all in constant currency.

Adecco's **Engineering & Technical (E&T)** business was up 54% in constant currency (+20% organically). Revenues in North America increased by 101% in constant currency (+43% organically), and revenues in Germany & Austria increased by 9% in the second quarter of 2010.

In **Finance & Legal (F&L)**, revenues increased by 122% in constant currency (+5% organically). Revenues in North America increased by 110% in constant currency and were up 2% organically.

In Q2 2010, revenues in **Medical & Science (M&S)** increased by 52% (+8% organically), whereas in **Sales, Marketing & Events (SM&E)** revenues were up 7% (+3% organically), both in constant currency. In the quarter under review, revenues in **Human Capital Solutions (HCS)** declined by 28%, in constant currency.

⁵ Professional Business refers to Adecco's Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, Sales, Marketing & Events and Human Capital Solutions business.

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MANAGEMENT OUTLOOK

Throughout the second quarter of 2010, the revenue trend improved strongly for the Adecco Group. To date there is no evidence of a slowdown of business in the third quarter of 2010. Despite current concerns about the sustainability of the economic recovery, developments in the staffing industry continue to signal healthy demand and management is confident of strong revenue development near term. Revenue growth in June was approximately 16%, organically and adjusted for business days and July showed a similar growth pattern.

The acquired businesses, Spring and MPS, are delivering results exceeding expectations and the integration and achievement of targeted synergies are well on track. The increased exposure to the higher margin professional staffing business coupled with a leaner branch network and optimised delivery channels position Adecco very well to benefit from the much improved business conditions. Price discipline and cost control remain priorities within the company, while selective investments in high-growth segments or markets are screened very carefully.

The good results attained in the second quarter of this year show that the Adecco Group is delivering on its strategy and is making sound progress to achieve its mid-term EBITA margin target of above 5.5%.

Adecco intends to delist from NYSE Euronext in Paris

Adecco S.A. plans to request the delisting of its shares from NYSE Euronext in Paris and expects that its listing will be terminated in the second half of 2010. The rationale for delisting is primarily based on low average daily trading volumes and Adecco's continued focus on cost optimisation. Adecco S.A.'s shares will continue to trade on SIX Swiss Exchange.

Financial Agenda 2010/2011

- | | |
|-------------------------------------|-----------------------|
| • 2010 Half Year Report Publication | August 12, 2010 |
| • Adecco Investor Days 2010 | September 23-24, 2010 |
| • Q3 2010 results | November 9, 2010 |
| • Q4/FY 2010 results | March 3, 2011 |

Q2 2010 Results Conference Calls

There will be a media conference call at 9 am CET as well as an analyst conference call at 11 am CET, details of which can be found on our website in the Investor Relations section at <http://webcast.adecco.com>

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Forward-looking statements

Information in this release 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 release are based on information available to Adecco S.A. as of the date of this release, and we assume no duty to update any such forward-looking statements. The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our 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; any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

About the Adecco Group

The Adecco Group, based in Zurich, Switzerland, is the world's leading provider of HR solutions. With over 31,000 FTE employees and more than 5,500 branches, in over 60 countries and territories around the world, Adecco Group offers a wide variety of services, connecting more than 700,000 associates with over 100,000 clients every day. The services offered fall into the broad categories of temporary staffing, permanent placement, outsourcing, consulting and outplacement. The Adecco Group is a Fortune Global 500 company.

Adecco S.A. is registered in Switzerland (ISIN: CH0012138605) with listings on the SIX Swiss Exchange (ADEN) and on NYSE Euronext in Paris (ADE).

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Consolidated statements of operations (unaudited)

EUR millions, except share and per share amounts	Q2 2010	Q2 2009	Variance %		H1 2010	H1 2009	Variance %	
			EUR	Constant Currency			EUR	Constant Currency
Revenues	4,646	3,591	29%	25%	8,608	7,294	18%	16%
Direct costs of services	(3,821)	(2,951)			(7,071)	(5,968)		
Gross profit	825	640	29%	24%	1,537	1,326	16%	14%
<i>Gross margin</i>	17.8%	17.8%			17.9%	18.2%		
Selling, general and administrative expenses	(657)	(608)	8%	5%	(1,256)	(1,251)	0%	-1%
<i>As a percentage of revenues</i>	14.1%	16.9%			14.6%	17.2%		
Amortisation of intangible assets	(14)	(13)			(27)	(26)		
Impairment of goodwill and intangible assets		(192)				(192)		
Operating income/(loss)	154	(173)	n.m.	n.m.	254	(143)	n.m.	n.m.
<i>Operating income/(loss) margin</i>	3.3%	-4.8%			3.0%	-2.0%		
Interest expense	(16)	(15)			(31)	(24)		
Other income / (expenses), net	2	1			1	4		
Income/(loss) before income taxes	140	(187)	n.m.		224	(163)	n.m.	
Provision for income taxes	(43)	40			(70)	39		
Net income/(loss)	97	(147)	n.m.		154	(124)	n.m.	
Net income attributable to noncontrolling interests								
Net income/(loss) attributable to Adecco shareholders	97	(147)	n.m.		154	(124)	n.m.	
<i>Net income/(loss) margin attributable to Adecco shareholders</i>	2.1%	-4.1%			1.8%	-1.7%		
Basic earnings per share	0.51	(0.85)			0.80	(0.71)		
Basic weighted-average shares	192,039,555	174,075,673			191,971,225	174,103,338		
Diluted earnings per share	0.50	(0.85)			0.79	(0.71)		
Diluted weighted-average shares	196,971,068	174,075,673			197,344,706	174,103,338		

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Revenues and operating income/(loss) by geographies (unaudited)

EUR millions	Q2 2010	Q2 2009	Variance %		H1 2010	H1 2009	Variance %	
			EUR	Constant Currency			EUR	Constant Currency
Revenues								
France	1,412	1,176	20%	20%	2,582	2,280	13%	13%
North America ^{1,2}	925	578	60%	51%	1,662	1,196	39%	37%
UK & Ireland ¹	411	217	90%	84%	772	444	74%	69%
Japan	314	332	-6%	-14%	621	750	-17%	-19%
Germany & Austria ²	290	239	21%	21%	553	512	8%	8%
Benelux ¹	215	192	12%	12%	411	392	5%	5%
Italy	210	169	25%	25%	382	340	13%	13%
Iberia	177	160	11%	11%	341	317	8%	8%
Nordics	181	145	25%	14%	334	294	14%	4%
Australia & New Zealand ¹	105	68	55%	24%	196	134	47%	16%
Switzerland ²	93	84	10%	4%	166	171	-3%	-6%
Emerging Markets ²	313	231	36%	27%	588	464	27%	23%
Adecco Group¹	4,646	3,591	29%	25%	8,608	7,294	18%	16%
Operating income/(loss)³								
France	53	(10)	n.m.	n.m.	85	(15)	n.m.	n.m.
North America ²	45	31	51%	44%	77	64	21%	22%
UK & Ireland	5	0	n.m.	n.m.	7	(1)	n.m.	n.m.
Japan	16	27	-39%	-45%	34	56	-40%	-42%
Germany & Austria ²	14	(4)	n.m.	n.m.	27	0	n.m.	n.m.
Benelux	4	(10)	n.m.	n.m.	12	(7)	n.m.	n.m.
Italy	11	7	55%	55%	16	(6)	n.m.	n.m.
Iberia	6	(6)	n.m.	n.m.	11	(3)	n.m.	n.m.
Nordics	10	(2)	n.m.	n.m.	15	(6)	n.m.	n.m.
Australia & New Zealand	2	0	n.m.	n.m.	4	1	311%	229%
Switzerland ²	9	4	122%	109%	14	8	77%	72%
Emerging Markets ²	9	7	15%	12%	16	12	29%	28%
Total Operating Units	184	44	325%	281%	318	103	209%	203%
Corporate Expenses	(16)	(12)			(37)	(28)		
Operating income/(loss) before amortisation and impairment of goodwill and intangible assets	168	32	430%	366%	281	75	276%	269%
Amortisation of intangible assets	(14)	(13)			(27)	(26)		
Impairment of goodwill and intangible assets		(192)				(192)		
Adecco Group	154	(173)	n.m.	n.m.	254	(143)	n.m.	n.m.

1) In Q2 2010 revenues changed organically in North America by 15% (H1: 8%); UK & Ireland by -3% (H1: -6%); Germany & Austria by 20% (H1: 7%); Benelux by 8% (H1: 1%); Australia & New Zealand by 13% (H1: 7%); and Adecco Group by 13% (H1: 6%).

2) Mexico previously reported under Emerging Markets is since Q4 2009 reported together with North America. Austria previously reported together with Switzerland is since Q4 2009 reported together with Germany. The 2009 information has been restated to conform to the current year presentation.

3) Operating income/(loss) before amortisation and impairment of goodwill and intangible assets on the operating unit level.

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Revenues by business line (unaudited)

EUR millions	Q2 2010	Q2 2009	Variance %		H1 2010	H1 2009	Variance %	
			EUR	Constant Currency			EUR	Constant Currency
Revenues^{1,2}								
Office	912	863	6%	0%	1,761	1,817	-3%	-5%
Industrial	2,223	1,770	26%	24%	4,046	3,498	16%	15%
Total Office and Industrial	3,135	2,633	19%	16%	5,807	5,315	9%	8%
Information Technology	520	262	98%	85%	958	546	75%	68%
Engineering & Technical	244	151	61%	54%	444	318	39%	37%
Finance & Legal	183	80	130%	122%	326	172	90%	88%
Medical & Science	91	59	56%	52%	166	117	42%	40%
Sales, Marketing & Events	90	81	10%	7%	173	170	1%	1%
Human Capital Solutions	70	94	-26%	-28%	146	192	-24%	-24%
Total Professional Business Lines	1,198	727	65%	57%	2,213	1,515	46%	43%
Emerging Markets	313	231	36%	27%	588	464	27%	23%
Adecco Group	4,646	3,591	29%	25%	8,608	7,294	18%	16%

1) Breakdown of revenues is based on dedicated branches.

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

2) Revenues changed organically in Office by -2% (H1: -7%); Office and Industrial 15% (H1: 7%); Information Technology by 0% (H1: -4%); Engineering & Technical by 20% (H1: 9%); Finance & Legal by 5% (H1: -3%); Medical & Science by 8% (H1: 2%); Sales, Marketing & Events by 3% (H1: -2%), Total Professional Business Lines by 2% (H1: -3%) and Adecco Group by 13% (H1: 6%).

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Consolidated balance sheets (unaudited)

EUR millions	Jun 30 2010	Dec 31 2009
Assets		
Current assets:		
– Cash and cash equivalents	433	1,458
– Short-term investments	5	2
– Trade accounts receivable, net	3,402	2,560
– Other current assets	398	331
Total current assets	4,238	4,351
Property, equipment, and leasehold improvements, net	281	245
Other assets	314	276
Intangible assets, net	634	302
Goodwill	3,365	2,657
Total assets	8,832	7,831
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
– Accounts payable and accrued expenses	3,291	2,716
– Short-term debt and current maturities of long-term debt	418	456
Total current liabilities	3,709	3,172
Long-term debt, less current maturities	1,089	1,114
Other liabilities	613	431
Total liabilities	5,411	4,717
Shareholders' equity		
Adecco shareholders' equity:		
– Common shares	118	118
– Additional paid-in capital	2,599	2,597
– Treasury shares, at cost	(559)	(561)
– Retained earnings	1,292	1,229
– Accumulated other comprehensive income/(loss), net	(31)	(271)
Total Adecco shareholders' equity	3,419	3,112
Noncontrolling interests	2	2
Total shareholders' equity	3,421	3,114
Total liabilities and shareholders' equity	8,832	7,831

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Consolidated statements of cash flows (unaudited)

EUR millions	H1 2010	H1 2009
Cash flows from operating activities		
Net income/(loss)	154	(124)
Adjustments to reconcile net income/(loss) to cash flows from operating activities:		
– Depreciation and amortisation	68	67
– Impairment of goodwill and intangible assets		192
– Other charges	23	(27)
Changes in operating assets and liabilities, net of acquisitions:		
– Trade accounts receivable	(466)	584
– Accounts payable and accrued expenses	210	(422)
– Other assets and liabilities	41	12
Cash flows from operating activities	30	282
Cash flows from/(used in) investing activities		
Capital expenditures	(45)	(55)
Acquisition of MPS, net of cash acquired	(831)	
Cash settlements on derivative instruments	11	(13)
Other acquisition and investing activities	(9)	(31)
Cash flows from/(used in) investing activities	(874)	(99)
Cash flows from/(used in) financing activities		
Net increase/(decrease) in short-term debt	7	(34)
Repayment of long-term debt	(139)	(131)
Borrowings on long-term debt, net of issuance costs		496
Dividends paid to shareholders	(91)	(173)
Purchase of treasury shares		(3)
Other financing activities	1	3
Cash flows from/(used in) financing activities	(222)	158
Effect of exchange rate changes on cash	41	7
Net increase/(decrease) in cash and cash equivalents	(1,025)	348
Cash and cash equivalents:		
– Beginning of year	1,458	574
– End of period	433	922

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Reconciliation of reported to adjusted¹⁾ results (unaudited)

EUR millions

Q2 2009	reported	impact of French business tax	including impact of French business tax	restructuring expenses	adjusted ¹⁾
Revenues	3,591		3,591		3,591
Direct costs of services	(2,951)	15	(2,936)		(2,936)
Gross profit	640	15	655		655
<i>Gross margin</i>	<i>17.8%</i>		<i>18.2%</i>		<i>18.2%</i>
SG&A	(608)	1	(607)	54	(553)
<i>% of revenues</i>	<i>16.9%</i>		<i>16.9%</i>		<i>15.4%</i>
EBITA²⁾	32	16	48	54	102
<i>% margin</i>	<i>0.9%</i>		<i>1.3%</i>		<i>2.8%</i>

¹⁾ Adjusted is a non US GAAP measure excluding in Q2 2009 the negative impact on SG&A of EUR 54 million related to restructuring costs and, for better comparison, excluding in Q2 2009 the French business tax of EUR 15 million in costs of services and EUR 1 million in SG&A as those business tax components are shown as income tax as of 2010. Based on the new French business tax law, which is effective since January 1, 2010, a part of the business tax is computed based on added value and therefore under US GAAP classified as income tax.

²⁾ EBITA is a non US GAAP measure and refers to operating income/(loss) before amortisation and impairment of goodwill and intangible assets.