Adecco Group

HALF YEAR REPORT 2014

Contents

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 2014 amounted to EUR 9,643. Compared to the same period last year, revenues increased by 2% or by 5% in constant currency. This was mainly due to an increase of 2% in the temporary staffing volume as temporary hours sold increased to 564 million. Furthermore, in the first six months of 2014, permanent placement revenues totalled EUR 170, an increase of 2% or 6% in constant currency, and outplacement revenues amounted to EUR 151, an increase of 7% or 11% in constant currency.

Gross Profit amounted to EUR 1,773 in the first six months of 2014, an increase of 4% or 8% in constant currency. The gross margin was 18.4%, up 40 basis points ("bps") year-on-year. Temporary staffing had a 40 bps positive impact on the gross margin, driven by our continued strict approach to pricing as well as the effect of the French CICE (tax credit for competitiveness and employment). The outplacement business added a further 10 bps to the gross margin, permanent placement had a neutral effect and other activities had a negative impact of 10 bps.

Selling, general, and administrative expenses ("SG&A") decreased by 1% or increased 3% in constant currency to EUR 1,369 in the first six months of 2014 compared to the same period last year. SG&A as a percentage of revenues decreased by 30 bps to 14.2% in the first six months of 2014. Included in the first six months of 2014 are restructuring expenses of EUR 9 related to the move to a single headquarters in North America. In 2013, restructuring expenses in the first six months were EUR 13 mainly related to France and the consolidation of several data centres in North America. The branch network decreased by 4%, and full-time equivalent ("FTE") employees were flat. As of the end of June 2014, the Company had approximately 31,500 FTE employees and operated a network of over 5,000 branches.

EBITA[1] increased by 24% or by 29% in constant currency to EUR 404 in the first six months of 2014. The EBITA margin was 4.2% in the first six months of 2014 and 3.4% in the same period of the prior year. EBITA margin excluding restructuring costs of EUR 9 in 2014 and EUR 13 in 2013 was 4.3%, up 70 bps compared to 3.6% in the first six months of 2013.

Amortisation of intangible assets amounted to EUR 18 in the first six months of 2014, compared to EUR 21 in the same period in 2013.

Operating income amounted to EUR 386 in the first six months of 2014 compared to EUR 306 in the same period of 2013. The operating income margin was 4.0% for the first six months of 2014, an increase of 80 bps when compared to the same period of 2013.

Interest expense was EUR 40 compared to EUR 38 in the first six months of 2013. **Other income/(expenses), net**, amounted to an income of EUR 5 compared to an expense of EUR 2 in the first six months of 2013.

Provision for Income Taxes was EUR 95 compared to EUR 73 in the same period of 2013. The **effective tax rate** in the first six months of 2014 was 27%, the same as in the first six months of 2013.

Net income attributable to Adecco shareholders amounted to EUR 255 in the first six months of 2014, compared to EUR 193 in the same period of 2013. Basic earnings per share ("EPS") was EUR 1.44 in the first six months of 2014 compared to EUR 1.06 in the first six months of 2013.

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

in millions, except share and per share information

1.2 Segment performance and revenues by business line

The segment breakdown of revenues and EBITA for the six months ended June 30, 2014 and June 30, 2013 is presented in the following tables:

Revenues by segment

			Variance %	
in EUR	2014	2013	EUR	Constant currency
France	2,257	2,255	0%	0%
North America	1,801	1,848	-3%	3%
UK & Ireland	1,011	925	9%	6%
Germany & Austria	834	760	10%	10%
Japan	507	575	-12%	1%
Italy	538	463	16%	16%
Benelux	466	426	9%	9%
Nordics	411	405	1%	8%
Iberia	370	312	19%	19%
Australia & New Zealand	163	235	-30%	-19%
Switzerland	197	192	2%	2%
Emerging Markets	920	929	-1%	13%
LHH	168	162	4%	8%
Adecco Group	**9,643**	**9,487**	**2%**	**5%**

in millions, except share and per share information

EBITA and EBITA margin by segment

in EUR	EBITA				EBITA margin		
			Variance %				Variance
	2014	2013	EUR	Constant currency	2014	2013	bps
France	124	68	83%	83%	5.5%	3.0%	250
North America	84	81	3%	9%	4.7%	4.4%	30
UK & Ireland	22	16	35%	32%	2.2%	1.8%	40
Germany & Austria	37	33	12%	12%	4.4%	4.3%	10
Japan	26	31	-16%	-4%	5.1%	5.4%	-30
Italy	31	27	12%	12%	5.7%	5.9%	-20
Benelux	16	9	72%	72%	3.4%	2.2%	120
Nordics	12	8	51%	59%	2.8%	1.9%	90
Iberia	14	8	85%	85%	3.8%	2.5%	130
Australia & New Zealand	(2)	5	-134%	-138%	-1.0%	2.1%	-310
Switzerland	15	14	9%	9%	7.8%	7.3%	50
Emerging Markets	29	28	3%	19%	3.1%	3.0%	10
LHH	50	45	12%	18%	29.9%	27.6%	230
Corporate	(54)	(46)					
Adecco Group	**404**	**327**	**24%**	**29%**	**4.2%**	**3.4%**	**80**

in millions, except share and per share information

The business line breakdown of revenues for the six months ended June 30, 2014 and June 30, 2013 is presented below:

Revenues by business line[1]

			Variance %	
in EUR	**2014**	**2013**	**EUR**	**Constant currency**
Office	2,323	2,464	-6%	1%
Industrial	4,848	4,567	6%	8%
General Staffing	**7,171**	**7,031**	**2%**	**6%**
Information Technology	1,153	1,111	4%	7%
Engineering & Technical	547	572	-4%	0%
Finance & Legal	373	373	0%	2%
Medical & Science	170	189	-10%	-8%
Professional Staffing	**2,243**	**2,245**	**0%**	**3%**
CTTD	168	162	4%	8%
BPO	61	49	23%	28%
Solutions	**229**	**211**	**8%**	**12%**
Adecco Group	**9,643**	**9,487**	**2%**	**5%**

1 Breakdown of staffing revenues into Office, Industrial, Information Technology (IT), Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. CTTD comprises Career Transition & Talent Development services. BPO comprises Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management System (VMS).

France

In the first six months of 2014, revenues in France were flat at EUR 2,257. Revenues in Industrial, which accounted for approximately 85% of revenues in France, increased by 2%, while revenues in Office decreased by 17% and in Professional Staffing decreased by 4%. Permanent placement revenues in France were up 5%. EBITA in the first six months of 2014 amounted to EUR 124 and the EBITA margin was 5.5%, compared to the EBITA margin of 3.0% or to the EBITA margin excluding restructuring costs of 3.3% in the same period of last year. Restructuring expenses were EUR 8 in the first six months of 2013. In the first six months of 2014 CICE (tax credit for competitiveness and employment) had a further positive effect year-on-year, due to the increase in the rate of the credit from December 1, 2013 and the reassessment we made in Q3 2013 of CICE relating to prior periods and going forward.

North America

In North America, revenues were EUR 1,801, a decrease of 3% or an increase of 3% in constant currency compared to the first six months of 2013. In North America, General Staffing accounted for approximately half of the revenues. In Industrial revenues increased by 9%, whereas in Office revenues declined by 5%, both in constant currency. Revenues in Professional Staffing grew by 2%. Revenues increased by 4% in IT, 3% in Finance & Legal, 1% in Medical & Science, whereas revenues were flat in Engineering & Technical, all in constant currency. Permanent placement revenues in North America were up 11%. EBITA in the first six months of 2014 was EUR 84 compared to EUR 81 in the same period of 2013. Included in the first six months of 2014 are restructuring costs of EUR 9, for the move to a single headquarters in North America, and in 2013 restructuring costs of EUR 4. The EBITA margin excluding restructuring costs was 5.2% in the first six months of 2014, an increase of 60 bps when compared to the same period in the prior year.

UK & Ireland

In the first six months of 2014, revenues in the UK & Ireland increased by 9% or by 6% in constant currency. Approximately two-thirds of revenues came from Professional Staffing, which grew by 10% in constant currency. Revenues increased by 13% in IT and by 3% in Finance & Legal, whereas revenues in Engineering & Technical declined by 12%, all in constant currency. Within General Staffing, the majority of revenues are in Office, which decreased by 1% in constant currency. Permanent placement revenues increased by 6%. EBITA in the first six months of 2014 amounted to EUR 22 compared to EUR 16 in the same period of the prior year. The EBITA margin was 2.2% in the first six months of 2014 compared to 1.8% the same period in 2013.

Germany & Austria

In Germany & Austria, revenues were EUR 834, an increase of 10% compared to the first six months of 2013. Revenues in Industrial, which accounted for approximately 70% of revenues in Germany & Austria, increased by 15%. Revenues in Professional Staffing decreased by 5%. EBITA in the first six months of 2014 amounted to EUR 37 compared to EUR 33 in the same period of 2013. EBITA margin was 4.4% in the first six months of 2014 compared to 4.3% in the first six months of 2013.

Japan

In Japan, revenues in the first six months of 2014 were EUR 507, a decrease of 12% or an increase of 1% in constant currency. Revenues in Office declined by 2% in constant currency, which accounted for approximately 75% of total revenues in Japan. Revenues in the Professional Staffing business, which comprised IT and Engineering & Technical increased by 9% in constant currency. EBITA was EUR 26 in the first six months of 2014 compared to EUR 31 in the first six months of 2013. The EBITA margin for the first six months of 2014 was 5.1% compared to 5.4% in the first six months of 2013.

Italy

Revenues in Italy increased by 16% compared to the first six months of 2013. Revenues in Industrial increased by 19%. The EBITA margin in the first six months of 2014 was 5.7%, down 20 bps compared to the same period of 2013.

Benelux

In the first six months of 2014, revenues in Benelux increased by 9%. The EBITA margin was 3.4% in the first six months of 2014 compared to 2.2% in the first six months of 2013.

Nordics

Revenues in the Nordics increased by 1% or by 8% in constant currency. The EBITA margin was 2.8% in the first six months of 2014 compared to 1.9% in the first six months of 2013.

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Iberia

Revenues increased in Iberia by 19% in the first six months of 2014 compared to the same period in 2013. The EBITA margin in the first six months of 2014 was 3.8%, up 130 bps compared to the same period of 2013.

Australia & New Zealand

Revenues in Australia & New Zealand decreased by 30% or by 19% in constant currency in the first six months of 2014 compared to the same period in 2013. The EBITA margin in the first six months of 2014 was -1.0%, compared to 2.1% in the same period of 2013.

Switzerland

Revenues in Switzerland increased by 2% and also by 2% in constant currency in the first six months of 2014 compared to the same period in 2013. The EBITA margin in the first six months of 2014 was 7.8%, up 50 bps compared to the same period of 2013.

Emerging Markets

Revenues in the Emerging Markets in the first six months of 2014 decreased by 1% or increased by 13% in constant currency. The EBITA margin was 3.1% in the first six months of 2014 compared to 3.0% in the first six months of 2013.

LHH

In the first six months of 2014, revenues of LHH, Adecco's Career Transition & Talent Development business, amounted to EUR 168, an increase of 4% or 8% in constant currency. EBITA amounted to EUR 50 and the EBITA margin was 29.9% compared to 27.6% in the same period of 2013.

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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 rate fluctuations, acquisitions, and divestitures.

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

Cash flows from operating activities amounted to EUR 233 in the first six months of 2014, which includes the cash proceeds of EUR 109 for the sale of a portion of the CICE receivables, compared to cash used in operating activities of EUR 11 in the same period of 2013. Cash used in investing activities amounted to EUR 15 in the first six months of 2014 including EUR 35 capital expenditures. This compared to cash used in investing activities of EUR 8 in the first six months of 2013 including EUR 36 capital expenditures. Cash used in financing activities totalled EUR 563 in the first six months of 2014 and included payment of dividends of EUR 291, the repayment of long-term debt of EUR 346, and the purchase of treasury shares of EUR 82, partly offset by a net increase in short-term debt of EUR 156. In the first six months of 2013, cash used in financing activities amounted to EUR 693 and included payment of dividends of EUR 266, the repayment of long-term debt of EUR 345, and the purchase of treasury shares of EUR 218, partly offset by a net increase in short-term debt of EUR 137.

Net debt increased by EUR 166 to EUR 1,262 at the end of June 2014 compared to December 2013.

DSO was 53 days in the first six months of 2014, compared to 54 days in the first six months of 2013.

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4. Outlook

The Company exited Q2 2014 with revenue growth of 5% in June, in constant currency and adjusted for trading days. Based on the current economic outlook and the trends the Company sees within its business, the Company expects demand for flexible labour to increase further over the course of 2014.

Given these trends, the Company will continue to invest selectively where it sees organic growth opportunities and where productivity is already at a high level, whilst maintaining its overall focus on tight cost control.

The Company continues to be very focused on reaching its EBITA margin target of above 5.5% in 2015. Based on the good progress on the its six strategic priorities, recent trends and continued favourable economic conditions expected going forward, the Company remains convinced it will achieve this target.

5. Forward-looking statements

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Half Year Report are based on information available to the Company as of August 6, 2014, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Half Year Report are not guarantees of future performance, and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- changes in regulation affecting 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 –
Selected financial information (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	**2014**	**2013**
Statements of operations		
Revenues	9,643	9,487
Gross profit	1,773	1,705
Operating income	386	306
Net income attributable to Adecco shareholders	255	193

As of (in EUR)	**30.06.2014**	**31.12.2013**
Balance sheets		
Cash and cash equivalents and short-term investments	613	963
Trade accounts receivable, net	3,757	3,526
Goodwill	3,432	3,408
Total assets	9,172	9,329
Short-term debt and current maturities of long-term debt	302	492
Accounts payable and accrued expenses	3,503	3,346
Long-term debt, less current maturities	1,576	1,567
Total liabilities	5,710	5,772
Total shareholders' equity	3,457	3,557

For the six months ended June 30 (in EUR)	**2014**	**2013**
Cash flows from operations		
Cash flows from/(used in) operating activities	233	(11)
Cash used in investing activities	(15)	(8)
Cash used in financing activities	(563)	(693)
Other indicators		
Capital expenditures	35	36

As of	**30.06.2014**	**31.12.2013**
Other indicators		
Net debt[1] (in EUR)	1,262	1,096
Additional statistics		
Number of FTE employees at end of period (approximate)	31,500	31,000

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 – Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2014 (unaudited)	31.12.2013
Assets			
Current Assets:			
• Cash and cash equivalents		613	963
• Short-term investments		3	
• Trade accounts receivable, net		3,757	3,526
• Other current assets		263	254
Total current assets		**4,636**	**4,743**
Property, equipment, and leasehold improvements, net		220	243
Other assets		385	422
Intangible assets, net		499	513
Goodwill		3,432	3,408
Total assets		**9,172**	**9,329**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses	2	3,503	3,346
• Short-term debt and current maturities of long-term debt	3	302	492
Total current liabilities		**3,805**	**3,838**
Long-term debt, less current maturities	3	1,576	1,567
Other liabilities		329	367
Total liabilities		**5,710**	**5,772**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares		118	118
• Additional paid-in capital	4	1,055	1,352
• Treasury shares, at cost	4	(528)	(461)
• Retained earnings		3,106	2,851
• Accumulated other comprehensive income/(loss), net	4	(294)	(307)
Total Adecco shareholders' equity		**3,457**	**3,553**
Noncontrolling interests		5	4
Total shareholders' equity		**3,462**	**3,557**
Total liabilities and shareholders' equity		**9,172**	**9,329**

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**	**2014**	**2013**
Revenues	11	9,643	9,487
Direct costs of services		(7,870)	(7,782)
Gross profit		**1,773**	**1,705**
Selling, general, and administrative expenses	2	(1,369)	(1,378)
Amortisation of intangible assets		(18)	(21)
Operating income	11	**386**	**306**
Interest expense		(40)	(38)
Other income/(expenses), net	8	5	(2)
Income before income taxes		**351**	**266**
Provision for income taxes	9	(95)	(73)
Net income		**256**	**193**
Net income attributable to noncontrolling interests		(1)	
Net income attributable to Adecco shareholders		**255**	**193**
Basic earnings per share	10	**1.44**	**1.06**
Basic weighted-average shares	10	177,678,063	182,336,252
Diluted earnings per share	10	**1.43**	**1.06**
Diluted weighted-average shares	10	178,011,312	182,539,130

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

Adecco Group –
Consolidated statements of comprehensive income (unaudited)

In millions, except share and per share information

For the six months ended June 30 (in EUR)	**2014**	**2013**
Net income	256	193
Other comprehensive income/(loss), net of tax:		
• Currency translation adjustment (net of tax of less than EUR 1 in both 2014 and 2013)	13	(27)
• Currency translation adjustment of long-term intercompany loans (net of tax of less than EUR 1 in both 2014 and 2013)		(4)
• Change in net (gain)/loss on pensions (net of tax of less than EUR 1 in both 2014 and 2013)		2
Total other comprehensive income/(loss)	13	(29)
Total comprehensive income	**269**	**164**
Comprehensive income attributable to noncontrolling interests	(1)	
Comprehensive income attributable to Adecco shareholders	**268**	**164**

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)	**2014**	**2013**
Cash flows from operating activities		
Net income	256	193
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	64	72
• Other charges	16	8
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(220)	(239)
• Accounts payable and accrued expenses	107	24
• Other assets and liabilities	10	(69)
Cash flows from/(used in) operating activities	**233**	**(11)**
Cash flows from investing activities		
Capital expenditures	(35)	(36)
Proceeds from sale of property and equipment	17	1
Cash settlements on derivative instruments	9	25
Other acquisition and investing activities, net	(6)	2
Cash used in investing activities	**(15)**	**(8)**
Cash flows from financing activities		
Net increase in short-term debt	156	137
Repayment of long-term debt	(346)	(345)
Dividends paid to shareholders	(291)	(266)
Purchase of treasury shares, net	(82)	(218)
Other financing activities		(1)
Cash used in financing activities	**(563)**	**(693)**
Effect of exchange rate changes on cash	**(5)**	**(18)**
Net decrease in cash and cash equivalents	**(350)**	**(730)**
Cash and cash equivalents:		
• Beginning of year	963	1,103
• End of period	613	373

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, 2014	**118**	**1,352**	**(461)**	**2,851**	**(307)**	**4**	**3,557**
Comprehensive income:							
Net income				255		1	256
Other comprehensive income/(loss)					13		13
Total comprehensive income							**269**
Stock-based compensation		8					8
Vesting of share awards		(14)	13				(1)
Treasury shares purchased on second trading line			(66)				(66)
Other treasury share transactions			(14)				(14)
Cash dividends, CHF 2.00 per share		(291)					(291)
June 30, 2014	**118**	**1,055**	**(528)**	**3,106**	**(294)**	**5**	**3,462**

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, 2013	**118**	**1,616**	**(175)**	**2,294**	**(157)**	**3**	**3,699**
Comprehensive income:							
Net income				193			193
Other comprehensive income/(loss)					(29)		(29)
Total comprehensive income							**164**
Stock-based compensation		7					7
Vesting of share awards		(12)	11				(1)
Treasury shares purchased on second trading line			(207)				(207)
Other treasury share transactions			(18)				(18)
Cash dividends, CHF 1.80 per share		(266)					(266)
June 30, 2013	**118**	**1,345**	**(389)**	**2,487**	**(186)**	**3**	**3,378**

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

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 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, 2013 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, 2013 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, 2013.

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

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

Use of estimates

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

CICE (tax credit for competitiveness and employment)

At the end of 2012, the French government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. For 2013, this provided employers with a tax credit of 4% on employee salaries up to 2.5 times the minimum wage; for 2014, the amount of credit increased to 6%. The CICE earned each year is received as a reduction of the Company's current income tax payable in France. Given the Company's current tax situation in France, the Company does not expect to receive the CICE receivables recorded until three-years after it is earned.

In June 2014, the Company sold a portion of the CICE receivables of EUR 113 for cash proceeds of EUR 109. Upon sale, the Company derecognized EUR 113 of the CICE receivables as this transaction qualifies for sale treatment in accordance with ASC 860, "Transfers and Servicing" ("ASC 860") and the Company does not have any continuing involvement with the CICE receivable sold. The discount on the CICE receivable sold is recorded in interest expense in the consolidated statements of operations.

New accounting guidance

In March 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" ("ASU 2013-05"). The amendments under ASU 2013-05 prohibits for transactions within a foreign entity, a parent entity from releasing into earnings any of the cumulative translation adjustment ("CTA") unless the sale represents a complete or substantially complete liquidation of the foreign entity. ASU 2013-05 also clarifies the accounting for the release of CTA upon loss of a controlling interest in a foreign entity, partial sale of a foreign entity and the acquisition in stages of a controlling interest in a foreign entity. This guidance is effective for fiscal years beginning after December 15, 2013. The Company adopted this guidance on January 1, 2014 and it did not have a significant impact on the consolidated financial statements.

in millions, except share and per share information

In May 2014, the FASB and the International Accounting Standards Board ("IASB") (collectively, the "Boards") issued a converged standard on revenue recognition from contracts with customers, ASU 2014-09 (Topic 606) and IFRS 15 (the "Revenue Standard"). The Revenue Standard contains principles that a company has to apply to determine the measurement of revenue and timing of when it is recognised. The revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. The Company is currently assessing the impact on the consolidated financial statements.

Note 2 • Restructuring

In 2014, restructuring costs were incurred related to the move to a single headquarters in North America. In 2012, the Company launched restructuring measures in France, Japan and various other European countries in connection with headcount reductions and branch optimisation as well as for the data centre consolidation in North America.

Total restructuring costs incurred by the Company in the first six months of 2014 and in the first six months of 2013 amounted to EUR 9 and EUR 13, respectively. Restructuring expenses are recorded in SG&A and mainly represent costs related to headcount reductions, branch optimisation and the move to a single headquarters in North America. The Company expects to incur approximately EUR 10 of additional restructuring costs in the last six months of 2014.

The following table shows the costs incurred in the first six months of 2014 and the cumulative costs incurred to June 30, 2014 by segment in connection with these restructuring programmes:

in EUR	Costs incurred in the first six months of 2014	Cumulative costs incurred to June 30, 2014
Restructuring costs		
France		79
North America	9	21
UK & Ireland		3
Germany & Austria		10
Japan		1
Italy		3
Benelux		1
LHH		2
Other		5
Total restructuring costs	**9**	**125**

in millions, except share and per share information

The changes in restructuring liabilities in connection with the 2012, 2013 and 2014 plans for the period ended June 30, 2014 are as follows:

in EUR	Restructuring liabilities
January 1, 2014	**18**
Restructuring costs	9
Cash payments	(13)
Write-off of fixed assets and other	(4)
June 30, 2014	**10**

As of June 30, 2014 restructuring liabilities in connection with these plans of EUR 10 were recorded in accounts payable and accrued expenses.

Note 3 • Financing arrangements

The Company's long-term and short-term debt as of June 30, 2014, amounted to EUR 1,878 compared to EUR 2,059 as of December 31, 2013. Short-term debt as of June 30, 2014 amounted to EUR 302 and consisted of borrowings under the French commercial paper programme (EUR 274) and under other lines of credit (EUR 28). Short-term debt as of December 31, 2013 amounted to EUR 145.

Long-term debt

The Company's long-term debt as of June 30, 2014 and December 31, 2013 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2014	31.12.2013
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	103	102
6-year guaranteed Euro medium-term notes	EUR 400	2019	2.75%	400	400
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	496	494
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	289	286
4-year Swiss Franc fixed rate notes	CHF 350	2016	2.125%	288	285
5-year guaranteed Euro medium-term notes	EUR 346	2014	7.625%		346
Other					1
				1,576	**1,914**
Less current maturities					(347)
Long-term debt, less current maturities				**1,576**	**1,567**

5-year guaranteed Euro medium-term notes

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

In April 2011, EUR 71 nominal value of outstanding 2014 notes were exchanged for the 2018 notes and EUR 73 nominal value of the outstanding 2014 notes were tendered for cash. Additionally, in 2013, the Company purchased EUR 10 nominal value of the outstanding 2014 notes and incurred a loss of EUR 1 on the purchase. Both transactions reduced the nominal value of the outstanding principal of the 2014 notes to EUR 346. In April 2014, the Company settled the remaining outstanding 2014 notes at maturity.

Other credit facilities

Committed multicurrency revolving credit facility

In May 2014 the EUR 600 multicurrency revolving credit facility was amended for pricing and two new 1-year-extension options at the discretion of the banks were included. The facility is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.35% and 1.05% per annum, depending on certain debt-to-EBITDA ratios. A utilisation fee of 0.10%, 0.20% and 0.40%, applies on top of the interest rate, for cash drawings of up to 33.33%, 66.67% and above 66.67%, respectively, of the total commitment not used for letters of credit. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of June 30, 2014 and December 31, 2013, there were no outstanding borrowings under the credit facility. As of June 30, 2014, the Company had EUR 527 available under the facility after utilising the EUR equivalent of EUR 73 in the form of letters of credit.

Note 4 • Shareholders' equity

Authorised shares and appropriation of available earnings

As of June 30, 2014 and December 31, 2013, Adecco S.A. had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of June 30, 2014 and December 31, 2013, 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. 6,000 options were outstanding as of December 31, 2013 which all expired on May 18, 2014.

In the first six months of 2014 and the first six months of 2013, the number of treasury shares acquired on the regular trading line, amounted to 239,000 and 428,473, respectively, and the net consideration paid amounted to EUR 14 and EUR 18, respectively.

During the six months ended June 30, 2014, the Company awarded 6,068 treasury shares to the Board of Directors as part of their compensation packages, and 6,009 treasury shares were awarded in the first six months ended June 30, 2013, to the Chairman of the Board of Directors as part of his compensation package. In addition, in the first six months of 2014 and the first six months of 2013, 310,738 and 295,305 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The share buyback commenced in mid-July 2012. In 2013, the Company completed the EUR 400 share buyback programme and started a new share buyback programme of up to EUR 250 also on a second trading line with the aim of subsequently cancelling the shares and reducing share capital.

In the first six months of 2014, the Company has acquired 1,124,300 shares for EUR 66 under the EUR 250 share buyback programme. As of August 6, 2014, the Company has acquired 2,840,550 shares for a total consideration of EUR 162 under the EUR 250 share buyback programme. In the first six months of 2013, the Company had acquired 4,905,804 shares under the EUR 400 share buyback programme.

At the Annual General Meeting of Shareholders of Adecco S.A. held on April 15, 2014, the shareholders approved the cancelation of 10,181,696 treasury shares acquired until December 31, 2013 under the two share buyback programmes and the corresponding reduction of Adecco S.A.'s share capital by 10,181,696 registered shares with a nominal value of CHF 1.00 each. The cancelation of 10,181,696 treasury shares was completed on July 7, 2014. Effective July 7, 2014 the share capital of the Company amounts to CHF 179 divided into 179,081,810 shares.

At the Annual General Meeting of Shareholders of Adecco S.A. held on April 15, 2014, the shareholders approved a dividend of CHF 2.00 per share in respect of the fiscal year 2013. The entire dividends of EUR 291 were allocated from Adecco S.A.'s reserve from capital contributions, a subaccount of general reserves to free reserves and subsequently distributed to shareholders in the second quarter of 2014. The statutory reserve from capital contributions is classified as additional paid-in capital in the consolidated balance sheet.

in millions, except share and per share information

Accumulated other comprehensive income/(loss), net

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

in EUR	30.06.2014	31.12.2013
Currency translation adjustment	(269)	(282)
Unrealised gain on cash flow hedging activities	1	1
Pension-related adjustments	(26)	(26)
Accumulated other comprehensive income/(loss), net	**(294)**	**(307)**

In the first six months 2013 an amount of EUR 2 (net of tax of less than EUR 1) was reclassified from accumulated other comprehensive income/(loss), net to SG&A in the statement of operations in connection with pension-related adjustments.

Note 5 • Employee benefit plans

For the six months ended June 30, 2014 and June 30, 2013, estimated net pension expense for the defined benefit plans is as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2014	2013	2014	2013
Components of pension expense				
Service cost	6	6	3	3
Interest cost	2	2	3	3
Expected return on plan assets	(3)	(3)	(2)	(2)
Amortisation of prior years' service costs				1
Amortisation of net (gain)/loss		1		
Pension expense, net	5	6	4	5

Note 6 • Financial instruments

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

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

Risk and use of derivative instruments

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

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

in millions, except share and per share information

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, 2014 and December 31, 2013:

	30.06.2014		31.12.2013	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	613	613	963	963
• Short-term investments	3	3		
• Trade accounts receivable, net	3,757	3,757	3,526	3,526
Current liabilities:				
• Accounts payable	656	656	621	621
• Short-term debt	302	302	145	145
• Current maturities of long-term debt			347	354
Non-current liabilities:				
• Long-term debt	1,576	1,707	1,567	1,654

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. Refer to Note 3 for details of debt instruments.

in millions, except share and per share information

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, 2014 and December 31, 2013:

in EUR	Balance sheet location	Notional amount 30.06.2014	Notional amount 31.12.2013	Fair value 30.06.2014	Fair value 31.12.2013
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other assets	50	50	2	1
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	482	515	3	10
• Interest rate swaps	Other current assets		125		1
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Accounts payable and accrued expenses	1,176	1,357	(16)	(12)
Total net derivatives				**(11)**	**-**

In addition, accrued interest receivable on interest rate swaps of less than EUR 1 and EUR 2 was recorded in other current assets as of June 30, 2014 and as of December 31, 2013, respectively.

The fair value of interest rate swaps and foreign currency contracts is calculated by using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap ("CDS") applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of June 30, 2014 and December 31, 2013, the total impact of non-performance risk and liquidity risk was an adjustment of less than EUR 1 and EUR 1, respectively.

Fair value hedges

Interest rate swaps with a notional amount of EUR 50 that contain a receipt of fixed interest rate amounts and payment of floating interest rate amounts have been designated as fair value hedges of the 2018 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of six years and expire in April 2018.

Interest rate swaps with a notional amount of EUR 125 that contained a receipt of fixed interest rate amounts and payment of floating interest rate amounts of the 2014 notes for EUR 346 issued by Adecco International Financial Services BV were de-designated as fair value hedges in March 2013. These contracts had an original contract period of three to five years and expired in April 2014.

in millions, except share and per share information

For the six months of 2014 and the six months of 2013, the loss and gain on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting gain and loss on the related interest rate swaps, both reported as interest expense, are as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2014	2013	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2014	2013
Interest rate swaps	Interest expense	1	(3)	Long-term debt	Interest expense	(1)	3

In addition, the Company recorded a gain of EUR 1 in interest expense related to the amortisation of terminated hedges in both the first six months of 2014 and 2013.

Furthermore, 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 2014 or in the first six months of 2013, due to ineffectiveness in fair value hedge relationships. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2014 or the first six months of 2013.

Cash flow hedges

There was no significant effective portion of gains or losses on cash flow hedges recognised in other comprehensive income/(loss), net as of June 30, 2014 and June 30, 2013.
As of June 30, 2014 and December 31, 2013, gains relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 1 and EUR 1, respectively. No significant gains or losses were recorded in the first six months of 2014 or the first six months of 2013, due to ineffectiveness in cash flow hedge relationships. In the first six months of 2014 and the first six months of 2013, no significant gains or losses were excluded from the assessment of hedge effectiveness of the cash flow hedges. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

Net investment hedges

As of June 30, 2014 and December 31, 2013, the net loss relating to net investment hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 68 (net of tax of EUR 6) and EUR 68 (net of tax of EUR 6), respectively, resulting from net investment hedges terminated in 2005. No reclassifications of losses reported in accumulated other comprehensive income/(loss), net, into earnings are expected within the next 12 months.

Other hedge activities

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

in millions, except share and per share information

In connection with these activities, the Company recorded a net gain of EUR 1 and a net loss of EUR 3 in the six months ended June 30, 2014 and the six months ended June 30, 2013, respectively, as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2014	2013	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2014	2013
Foreign currency contracts	Other income/ (expenses), net	(4)	27	Cash, loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	5	(30)

No significant amounts were recorded in other income/(expenses), net, related to interest rate swaps not designated as hedging instruments under ASC 815 in the first six months of 2014 and 2013.

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 7 • Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013, 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, 2014				
Assets				
Available-for-sale securities	3			3
Derivative assets		5		5
Liabilities				
Derivative liabilities		16		16
December 31, 2013				
Assets				
Derivative Assets		14		14
Liabilities				
Derivative Liabilities		12		12

Note 8 • Other income/(expenses), net

For the first six months of 2014 and the first six months of 2013, other income/(expenses), net, consist of the following:

in EUR	2014	2013
Foreign exchange gain/(loss), net	1	(3)
Interest income	3	2
Proportionate net income of investee companies	2	1
Other non-operating income/(expenses), net	(1)	(2)
Total other income/(expenses), net	**5**	**(2)**

Note 9 • Income taxes

Adecco S.A. is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside of Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2014 were provided at a rate of 27%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2013, the tax rate was 27%.

The income tax rate in the first six months of 2014 and in the first six months of 2013 includes the positive impact of EUR 2 and EUR 11, respectively, from the successful resolution of prior years' audits and tax disputes, the expiration of the statute of limitations in several jurisdictions, and other discrete events.

As of June 30, 2014 the total amount of unrecognized tax benefits recorded increased by EUR 3 compared to December 31, 2013 as a result of current year additions and fluctuations in the exchange rates. This was partially offset by the settlement of tax audits and the application of the statute of limitations in several jurisdictions. As of June 30, 2013 the total amount of unrecognised tax benefits recorded decreased by EUR 15 compared to December 31, 2012 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 partially offset by 2013 additions.

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 in the next 12 months 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

in millions, except share and per share information

Note 10 • Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2014 and June 30, 2013:

	2014		2013	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income attributable to Adecco shareholders	**255**	**255**	**193**	**193**
Denominator				
Weighted-average shares	**177,678,063**	**177,678,063**	**182,336,252**	**182,336,252**
Incremental shares for assumed conversions:				
• Employee stock-based compensation		333,249		202,878
Total average equivalent shares	**177,678,063**	**178,011,312**	**182,336,252**	**182,539,130**
Per share amounts				
Net earnings per share	**1.44**	**1.44**	**1.06**	**1.06**

Stock options of 6,000 and 8,300 as of June 30, 2014 and June 30, 2013 were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive.

in millions, except share and per share information

Note 11 • Segment reporting

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of General Staffing (Office, Industrial) and Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), as well as Solutions. Solutions comprises Career Transition & Talent Development ("CTTD"), Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS"). The classification of a specific branch into a business line for General Staffing and Professional Staffing 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, but exclude investments in subsidiaries and intercompany balances. The accounting principles used for the segment reporting are those used by the Company.

in EUR	France	North America	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other	Corporate	Total
Six months ended June 30, 2014											
Revenues	2,257	1,801	1,011	834	507	538	466	168	2,061		9,643
Operating income before amortisation of intangible assets	124	84	22	37	26	31	16	50	68	(54)	404
Amortisation of intangible assets											(18)
Operating income											386
Interest expense, and other income/(expenses), net											(35)
Provision for income taxes											(95)
Net income											**256**

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in EUR	France	North America	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other	Corporate	Total
Six months ended June 30, 2013											
Revenues	2,255	1,848	925	760	575	463	426	162	2,073		9,487
Operating income before amortisation of intangible assets	68	81	16	33	31	27	9	45	63	(46)	327
Amortisation of intangible assets											(21)
Operating income											306
Interest expense, and other income/(expenses), net											(40)
Provision for income taxes											(73)
Net income											**193**

in EUR	France	North America	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other	Corporate	Total
June 30, 2014											
Segment assets	1,408	2,119	719	1,761	259	246	300	427	1,473	460	9,172
December 31, 2013											
Segment assets	1,395	2,081	651	1,788	266	216	306	413	1,398	815	9,329

Note 12 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 623, including those letters of credit issued under the multicurrency revolving credit facility (EUR 73). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties, then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

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

Note 13 • Subsequent events

At the Annual General Meeting of Shareholders of Adecco S.A. held on April 15, 2014, the shareholders approved the cancelation of 10,181,696 treasury shares acquired until December 31, 2013 under the two share buyback programmes and the corresponding reduction of Adecco S.A.'s share capital by 10,181,696 registered shares with a nominal value of CHF 1.00 each. The cancelation of 10,181,696 treasury shares was completed on July 7, 2014. Effective July 7, 2014 the share capital of the Company amounts to CHF 179 divided into 179,081,810 shares.

The Company has evaluated subsequent events through August 6, 2014, 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 6, 2014 that would have a material impact on the consolidated financial statements.

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