The Adecco Group 2019 Half Year Report

INTRODUCTION FROM THE CHIEF EXECUTIVE OFFICER

Leveraging opportunities in a changing world of work

“In the first six months of 2019, we demonstrated strong execution of our strategy. We increased gross margins, supported by a focus on higher value solutions, the roll-out of value-based pricing tools, and tighter labour markets. At the same time, our GrowTogether transformation programme underpinned robust productivity growth, allowing us to deliver underlying margin expansion despite external headwinds.

Organic revenue growth slowed in the first half, driven mainly by Europe. This partly reflected robust growth in the same period of the prior year and significant continued weakness in manufacturing and automotive sectors in many European economies. We see the year-on-year comparison base becoming less challenging as the second half progresses, given the slowdown in the European economy in the late summer of 2018.

The “Perform, Transform, Innovate” strategy continues to build momentum. We are on track to deliver our target of a further EUR 70 million of productivity saving from GrowTogether in 2019. Meanwhile, we are strengthening our customer value proposition, as evidenced by our improving NPS, and stepping up the collaboration within the Adecco Group ecosystem.

I thank all of our colleagues around the world for their ongoing engagement and hard work as we continue to Perform, Transform and Innovate to strengthen the Adecco Group's leadership and to meet the evolving needs of our clients and candidates."

Alain Dehaze,
Group Chief Executive Officer

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in millions, except share and per share information

Strong strategic progress

Overview

During the first six months of 2019, the Adecco Group executed well in a challenging external environment, while also making good strategic progress. Revenues were impacted by weak market trends in Europe and declined by 3% organically[1], or 2% trading days adjusted. The decline was driven by France, Italy, Iberia, which had achieved strong growth in prior year, and Germany, which was impacted by market slowdown, regulatory changes, and the consolidation of the Adecco and Tuja General Staffing businesses. Gross margin increased by 90 basis points (bps) compared to the first half of 2018. Organically the gross margin increased by 50 bps, due to a 35 bps improvement in the Temporary Staffing gross margin, driven by a positive price/mix, and a 15 bps improvement attributable to continued growth in permanent placement. Selling, general, and administrative expenses (SG&A) excluding one-offs[2] declined 1% organically. As a percentage of revenues, SG&A excluding one-offs was 14.8%, compared to 14.1% a year ago, driven primarily by business mix and investments in the Group's New Ventures. FTE employees were down 2% organically year-on-year, a result of adapting the headcount to the revenue trends and higher productivity. The EBITA[3] margin excluding one-offs was 4.2%, a 10 bps increase year-on-year on a reported basis. Excluding the impact of higher investments in New Ventures and the German business transformation, the EBITA margin excluding one-offs increased by 25 bps year-on-year supported by GrowTogether productivity savings and the positive temporary staffing price/mix development.

Free cash flow[4] was EUR 248, compared to EUR 242 in the first six months of last year. The Company paid EUR 87 for the purchase of treasury shares in the first six months of 2019 and distributed EUR 360 in dividends. Net debt[5] at 30 June 2019 was EUR 1,381, representing a ratio of 1.2x net debt to EBITDA[6] excluding one-offs.

In the first six months of 2019, revenues declined by 2% on an organic and trading days adjusted basis. In Q2 2019, the revenue growth slightly decelerated to minus 3% trading days adjusted. In June revenues also declined by 3% organically and trading days adjusted.

			Variance	
in EUR	HY 2019	HY 2018	Reported	Organic
Summary of income statement information				
Revenues	**11,568**	11,744	-2%	-3%
Gross profit	**2,208**	2,140	3%	-1%
EBITA excluding one-offs[2]	**491**	484	1%	2%
EBITA	**462**	454	2%	3%
Net income attributable to Adecco Group shareholders	**292**	300	-3%	
Diluted EPS	**1.80**	1.81	-1%	
Gross margin	**19.1%**	18.2%	90 bps	50 bps
EBITA margin excluding one-offs	**4.2%**	4.1%	10 bps	30 bps
EBITA margin	**4.0%**	3.9%	10 bps	20 bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)	**385**	375		
Free cash flow (FCF)	**248**	242		
Net debt	**1,381**	1,576		
Days sales outstanding	**52**	53		
Cash conversion[7]	**84%**	78%		
Net debt to EBITDA excluding one-offs	**1.2x**	1.4x		

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

2 In the first six months of 2019, SG&A included one-offs of EUR 29 in restructuring and acquisition related costs.

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

4 Free cash flow is a non-US GAAP measure and comprises cash flows from operating activities less capital expenditures.

5 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.

6 Net debt to EBITDA is a non–US GAAP measure and is calculated as net debt at period end divided by the last 4 quarters of EBITA excluding one-offs plus depreciation.

7 Cash conversion is a non-US GAAP measure and is calculated as the last 4 quarters of FCFBIT divided by the last 4 quarters of EBITA excluding one-offs.

in millions, except share and per share information

Group performance overview

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

Revenues

In the first six months of 2019, revenues of EUR 11,568 were down 2% year-on-year on a reported basis. Currency movements had a positive impact on revenues of approximately 1% while the number of working days had a negative impact of around 1%. On an organic basis revenues were therefore down approximately 3%, and down 2% on a trading days adjusted basis.

Revenues in temporary staffing were EUR 9,914, down 3% on a reported basis and down 4% at constant currencies, compared to the prior year. Permanent placement revenues were EUR 297 in the first six months of 2019, an increase of 5% on a reported basis, or 3% at constant currencies. Revenues from career transition amounted to EUR 174 in the first six months of 2019, a decrease of 1% on a reported basis or 4% at constant currencies.

In General Staffing, revenues declined by 4%, with Office flat and Industrial down 6%, all at constant currencies. In Professional Staffing, revenues declined by 1%, comprising a decrease of 6% in Finance & Legal and 2% in IT, and an increase of 6% in Medical & Science and 3% in Engineering & Technical, all on an organic basis. In Solutions, revenues increased by 3%, increasing 11% in Business Process Outsourcing (BPO) and flat in Career Transition and Talent Development (CTTD), all organically.

Gross profit

Gross profit amounted to EUR 2,208 in the first six months of 2019, up 3% on a reported basis and down 1% organically. The gross margin was 19.1%, up 90 bps compared to the first six months of 2018. Compared to the prior year, currency increased gross margin by 15 bps, while acquisitions and divestments had a positive impact of 25 bps. On an organic basis, the gross margin was therefore up 50 bps. The temporary staffing gross margin was up 35 bps, driven by strong pricing and mix effects, and permanent placement had a 15 bps positive effect. Career transition and other activities had no impact on the overall gross margin compared to the prior year, all on an organic basis.

Gross margin drivers YoY

in basis points	HY 2019	HY 2018
Temporary staffing	35	(40)
Permanent placement	15	20
Career transition	0	(20)
Other	0	10
Organic	50	(30)
Acquisitions and divestments	25	15
Currency	15	(15)
Reported	90	(30)

Selling, general, and administrative expenses (SG&A)

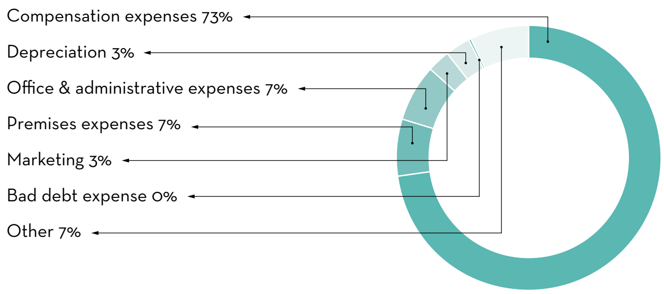
During the first six months of 2019, SG&A was impacted by investments in New Ventures and the German business transformation, while benefiting from improved productivity driven by GrowTogether. SG&A excluding one-offs was EUR 1,717 in the first six months of 2019, down 1% organically compared to the prior year. SG&A excluding one-offs as a percentage of revenues was 14.8%, compared to 14.1% a year ago. Reported SG&A was EUR 1,746. FTE employees decreased by 2% organically year-on-year. Compared to the first six months of 2018, the branch network was down 2% organically.

In the first six months of 2019, one-offs of EUR 29 comprised restructuring costs of: EUR 2 in France; EUR 4 in North America, UK & Ireland Professional Staffing; EUR 17 in Germany, Austria, Switzerland; EUR 1 in Corporate; and acquisition-related costs of EUR 5 in Career Transition & Talent Development. In the first six months of 2018, one-offs of EUR 30 comprised restructuring costs of: EUR 2 in North America, UK & Ireland General Staffing; EUR 6 in North America, UK & Ireland Professional Staffing; EUR 14 in Germany, Austria, Switzerland; EUR 1 in Career Transition & Talent Development; EUR 2 in Corporate; and acquisition-related costs of EUR 5 in Corporate.

Compensation expenses were EUR 1,275 in the first six months of 2019, an increase of 1% in constant currency and representing 73% of total SG&A. Marketing expenses were EUR 52 in the first six months of 2019, compared to EUR 49 in the first six months of 2018. Bad debt expense decreased to EUR 7 in the first six months of 2019 from EUR 10 in the same period of 2018.

SG&A breakdown

HY 2019



EBITA

EBITA excluding one-offs was EUR 491 in the first six months of 2019, up 1% on a reported basis year-on-year, and up 2% organically. The EBITA margin excluding one-offs was 4.2%, up 10 bps year-on-year on a reported basis and up 30 bps organically. Increased investments in New Ventures had a negative impact of around 10 bps and the business transformation in Germany had a negative impact of approximately 10 bps. Non-recurring items in prior year had a positive impact of around 5 bps. This leaves an underlying improvement of approximately 25 bps year-on-year, supported by GrowTogether productivity savings and the positive temporary staffing price/mix development. The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 22.2% in the first six months of 2019 compared to 22.6% in the same period of 2018. One-offs amounted to EUR 29 in the first six months of 2019 and EUR 30 in the same period of 2018. EBITA was EUR 462 in the first six months of 2019 compared to EUR 454 in first six months of 2018, an increase of 2% reported and 3% organically. The EBITA margin was 4.0% in the first six months of 2019 and 3.9% in the same period of 2018.

in millions, except share and per share information

Amortisation of intangible assets

Amortisation of intangible assets was EUR 27 compared to EUR 20 in the first six months 2018.

Operating income

Operating income was EUR 435 in the first six months of 2019 compared to EUR 434 in the same period of 2018.

Interest expense and other income/(expenses), net

Interest expense was EUR 18 in the first six months of 2019 compared to EUR 21 in the first six months of 2018. Other income/(expenses), net includes interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net. In the first six months of 2019, other income/(expenses), net amounted to an expense of EUR 4, compared to an income of EUR 7 in the same period of 2018.

Provision for income taxes

Provision for income taxes was EUR 121 in the first six months of 2019 compared to EUR 119 in the first six months of 2018. The effective tax rate is impacted by recurring items, such as tax rates in the different jurisdictions where the Company operates, and the income mix within jurisdictions. It is also affected by discrete items which may occur in any given year, but are not consistent from year to year. In the first six months of 2019, the effective tax rate was 29%, which included a positive impact of 4% from discrete events. In the first six months of 2018, the effective tax rate was 28%, which included a negative impact of less than 1% from discrete events.

Net income attributable to Adecco Group shareholders and EPS

Net income attributable to Adecco Group shareholders was EUR 292 in the first six months of 2019 compared to EUR 300 in the same period of 2018. Basic earnings per share (EPS) was EUR 1.80 in the first six months of 2019 compared to EUR 1.81 in the first six months of 2018.

Cash flow statement and net debt

Analysis of cash flow statements

The following table illustrates cash flows from or used in operating, investing, and financing activities:

in EUR	HY 2019	HY 2018
Summary of cash flow information		
Cash flows from operating activities	**326**	319
Cash used in investing activities	**(97)**	(486)
Cash used in financing activities	**(304)**	(296)

Cash flows from operating activities increased to EUR 326 in the first six months of 2019 from EUR 319 in the same period of 2018 with the increase mainly due to slightly higher EBITA and lower DSO in the first six months of 2019, compared to the first six months of 2018. DSO was 52 days for the first six months of 2019 and 53 days in the first six months of 2018. The first six months of 2018 included cash proceeds for the sale of a portion of the CICE receivables for EUR 224.

Cash used in investing activities totalled EUR 97 compared to EUR 486 in the first six months of 2018. Capital expenditures amounted to EUR 78 in the first six months of 2019 and EUR 77 in the same period of 2018. In the first six months of 2018, cash used in investing activities also included an outflow of EUR 394 for the acquisitions of General Assembly and Vettery.

Cash used in financing activities totalled EUR 304, compared to EUR 296 in the first six months of 2018. In the first six months of 2019, the net increase of short-term debt totalled EUR 5, whereas, in the same period of 2018, the net increase of short-term debt totalled EUR 440. The Company paid dividends of EUR 360 and EUR 350 in the first six months of 2019 and the first six months of 2018, respectively. The Company purchased treasury shares for EUR 87 and EUR 38 in the first six months of 2019 and the first six months of 2018, respectively.

Net debt

Net debt was EUR 1,381 as of 30 June 2019, compared to EUR 1,124 as of 31 December 2018. The increase in net debt reflected the usual seasonal trends and was impacted by the payment of the dividend in April 2019. At 30 June 2019, the ratio of net debt to EBITDA excluding one-offs was 1.2x, compared to 1.0x at 31 December 2018. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP.

in EUR	30 June 2019	31 December 2018
Net debt		
Short-term debt and current maturities of long-term debt	**274**	267
Long-term debt, less current maturities	**1,683**	1,509
Total debt	**1,957**	1,776
Less:		
Cash and cash equivalents	**576**	652
Short-term investments		
Net debt	**1,381**	1,124

HY 2019 segment performance

From a business line perspective, General Staffing represented 75% of the Adecco Group revenues in the first six months of 2019, Professional Staffing represented 22% and Solutions represented 3%. In the first six months of 2019, revenues decreased in General Staffing by 4% and in Professional Staffing by 1%, both at constant currencies. In Solutions, revenues increased by 3% organically, with revenues in CTTD flat organically and BPO up 11% at constant currencies.

France

In the first six months of 2019, revenues were EUR 2,703, down 3% as reported. Revenues decreased by 4% as reported in General Staffing, which accounts for over 90% of revenues, while Professional Staffing was up 12% organically. Manufacturing, logistics and retail declined while Construction was broadly flat and Automotive was slightly positive. Permanent placement revenues were up 7% as reported. EBITA excluding one-offs was EUR 161 and the margin was 5.9%, up 30 bps. Margin improvement was driven by pricing, business mix and higher productivity, linked to the GrowTogether programme. This offset increased employee profit sharing costs, resulting from the replacement of the CICE wage subsidies.

North America, UK & Ireland General Staffing

Revenues in the first six months of 2019 were EUR 1,449, down 1% at constant currencies. North America General Staffing accounted for 73% of revenues and was down 1% at constant currencies due to slowing market growth and lower volumes at a small number of large clients. UK & Ireland General Staffing represented 27% of revenues and was up 1% at constant currencies with market conditions remaining muted. Permanent placement revenues increased by 4% in North America General Staffing and declined by 4% in UK & Ireland General Staffing, both at constant currencies. EBITA excluding one-offs was EUR 41 with a margin of 2.8%, compared to a margin of 2.7% in the same period of 2018, with the improved profitability resulting from a higher gross margin and GrowTogether initiatives.

North America, UK & Ireland Professional Staffing

In the first six months of 2019, revenues were EUR 1,709 down 5% at constant currencies. North America Professional Staffing accounts for 63% of revenues and declined by 7% at constant currencies. Strong growth in Medical & Science was offset by declines in IT, Finance & Legal and Engineering & Technical. UK & Ireland Professional Staffing represents 37% of revenues and was down 1% at constant currencies, impacted by Brexit-related client uncertainty. Permanent placement revenues increased by 6% in North America Professional Staffing and decreased by 9% in UK & Ireland Professional Staffing, both at constant currencies. Overall EBITA excluding one-offs was EUR 84 with a margin of 4.9%, down 40 bps compared to a margin of 5.3% in the first six months of 2018. GrowTogether productivity improvements and positive price/mix were more than offset by negative operating leverage from the declining revenues and investments in digital permanent recruitment platform Vettery.

Germany, Austria, Switzerland

Revenues in the first six months of 2019 were down 13% organically to EUR 956. In Germany & Austria, revenues were down 15% organically, driven by the market slowdown (particularly in the automotive sector), regulatory changes and the consolidation of the Adecco and Tuja General Staffing businesses. In Switzerland, revenues were down 5% at constant currencies against tough prior year comparatives. For the region, EBITA excluding one-offs was EUR 7, with a margin of 0.6%, a decrease of 90 bps, driven by higher bench costs and negative operating leverage in Germany.

Benelux & Nordics

In the first six months of 2019, revenues were EUR 948, a decrease of 7% organically. In the Nordics, revenues were down 3% at constant currencies, with growth in Finland offset by a decline in Sweden and Denmark, while Norway was flat. Revenues in Benelux were down 11% organically. Belgium experienced a single digit revenue decline, while the Netherlands declined double digits, due to softer market conditions and a repositioning of the business away from high-volume, lower-value activities. In Benelux & Nordics, EBITA was EUR 27 and the EBITA margin was 2.9%, up 70 bps compared to the prior year EBITA margin excluding one-offs, positively impacted by improved business mix, pricing and cost actions.

Italy

Revenues in the first six months of 2019 were EUR 954, down 4% as reported, driven in particular by weakness in the manufacturing and automotive sectors. EBITA was EUR 78. The EBITA margin was 8.2%, up 30 bps year-on-year, supported by improvement in the temporary staffing gross margin and strong growth in permanent placement.

Japan

In the first six months of 2019, revenues were EUR 707, up 6% organically, with good growth in Professional Staffing and permanent placement. EBITA was EUR 53 and the EBITA margin was up 20 bps year-on-year at 7.5%, driven by business mix and productivity improvements.

Iberia

Revenues in the first six months of 2019 were down 2% on a reported basis, to EUR 550. EBITA was EUR 27 and the EBITA margin was down 10 bps year-on-year to 5.0%, with a positive gross margin development offset by negative operating leverage from the declining revenues.

Rest of World

In the first six months of 2019, revenues grew at constant currencies by 2% to EUR 1,334. Revenue growth was 6% in Australia & New Zealand, 3% in Latin America and 3% in Asia, all at constant currencies. Revenues in India were up 4% as reported, and down 2% in Eastern Europe & MENA at constant currencies. For the region, the EBITA margin excluding one-offs was 3.4%, up 20 bps year-on-year, supported by a continued focus on client profitability.

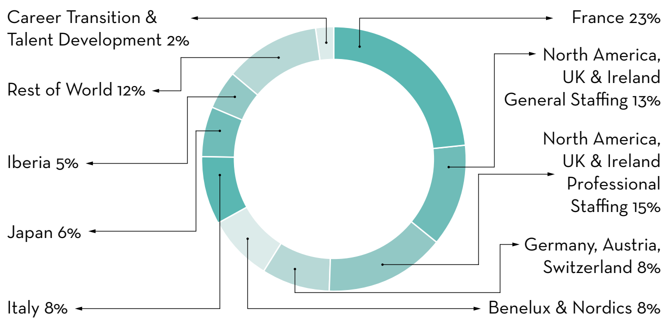
Career Transition & Talent Development

Revenues in the first six months of 2019 were EUR 258, flat organically. Revenues in career transition declined mid-single digit, reflecting the counter-cyclical nature of the business and high proportion of revenues coming from North America where the economy remains robust. Meanwhile, growth in talent development was strong. The segment EBITA margin excluding one-offs in the first six months of 2019 was 16.8%, compared to the 23.5% margin in the same period of 2018, impacted by investments in General Assembly.

Outlook

In Q2 2019, Company revenues declined by 3% year-on-year organically and trading days adjusted (TDA). Revenues in June were also down 3% organically and TDA. Volumes in July indicated a continuation of the Q2 trend.

The Company remains on track to deliver the targeted incremental GrowTogether productivity savings of EUR 70 in 2019.



in millions, except share and per share information

Revenues by segment and by business line

Revenues

in EUR	Revenues HY 2019	Revenues HY 2018	Variance EUR	Variance Constant currency	Variance Organic	Variance Organic TDA[1]	% of total revenues HY 2019	% of total revenues HY 2018
France	**2,703**	2,787	-3%	-3%	-3%	-2%	**23%**	24%
N. America, UK & I. General Staffing	**1,449**	1,388	4%	-1%	-1%	0%	**13%**	12%
N. America, UK & I. Professional Staffing	**1,709**	1,716	0%	-5%	-5%	-4%	**15%**	15%
Germany, Austria, Switzerland	**956**	1,078	-11%	-12%	-13%	-12%	**8%**	9%
Benelux & Nordics	**948**	1,041	-9%	-8%	-7%	-7%	**8%**	9%
Italy	**954**	998	-4%	-4%	-4%	-5%	**8%**	8%
Japan	**707**	625	13%	7%	6%	10%	**6%**	5%
Iberia	**550**	560	-2%	-2%	-2%	0%	**5%**	5%
Rest of World	**1,334**	1,342	-1%	2%	2%	3%	**12%**	11%
Career Transition & Talent Development	**258**	209	24%	19%	0%	0%	**2%**	2%
Adecco Group	**11,568**	**11,744**	**-2%**	**-3%**	**-3%**	**-2%**	**100%**	**100%**

1 TDA = trading days adjusted.

Revenues by business line[1]

in EUR	Revenues HY 2019	Revenues HY 2018[2]	Variance EUR	Variance Constant currency	Variance Organic	% of total revenues HY 2019	% of total revenues HY 2018
Office	**2,720**	2,677	2%	0%	0%	**24%**	23%
Industrial	**5,916**	6,249	-5%	-6%	-6%	**51%**	53%
General Staffing	**8,636**	**8,926**	**-3%**	**-4%**	**-4%**	**75%**	**76%**
Information Technology	**1,444**	1,427	1%	-2%	-2%	**12%**	12%
Engineering & Technical	**358**	339	5%	2%	3%	**3%**	3%
Finance & Legal	**489**	495	-1%	-6%	-6%	**4%**	4%
Medical & Science	**294**	271	9%	4%	6%	**3%**	2%
Professional Staffing	**2,585**	**2,532**	**2%**	**-1%**	**-1%**	**22%**	**21%**
CTTD	**258**	209	24%	19%	0%	**2%**	2%
BPO	**89**	77	16%	11%	11%	**1%**	1%
Solutions	**347**	**286**	**22%**	**17%**	**3%**	**3%**	**3%**
Adecco Group	**11,568**	**11,744**	**-2%**	**-3%**	**-3%**	**100%**	**100%**

1 The classification of a specific branch into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is determined by the business line generating the largest revenue share in that specific branch. CTTD comprises Career Transition & Talent Development services. BPO comprises Managed Service Programmes (MSP) and Recruitment Process Outsourcing (RPO).

2 2018 Information Technology and Industrial have been restated following reclassification for Digital Brands from BPO. 2018 Office and Industrial, Information Technology, Engineering & Technical have been restated to conform with current period presentation.

in millions, except share and per share information

EBITA by segment

EBITA and EBITA margin excluding one-offs

	EBITA excluding one-offs		EBITA margin excluding one-offs			% of EBITA[1]
in EUR	HY 2019	HY 2018	HY 2019	HY 2018	Variance	HY 2019
France	161	156	5.9%	5.6%	30	28%
N. America, UK & I. General Staffing	41	37	2.8%	2.7%	10	7%
N. America, UK & I. Professional Staffing	84	91	4.9%	5.3%	(40)	15%
Germany, Austria, Switzerland	7	16	0.6%	1.5%	(90)	1%
Benelux & Nordics	27	23	2.9%	2.2%	70	5%
Italy	78	79	8.2%	7.9%	30	14%
Japan	53	46	7.5%	7.3%	20	9%
Iberia	27	29	5.0%	5.1%	(10)	5%
Rest of World	45	43	3.4%	3.2%	20	8%
Career Transition & Talent Development	43	49	16.8%	23.5%	(670)	8%
Corporate	(75)	(85)				
Adecco Group	**491**	**484**	**4.2%**	**4.1%**	**10**	**100%**

1 % of EBITA excluding one-offs and before Corporate.

EBITA and EBITA margin by segment

	EBITA				EBITA margin		
			Variance %				Variance bps
in EUR	HY 2019	HY 2018	EUR	Constant currency	HY 2019	HY 2018	EUR
France	159	156	2%	2%	5.9%	5.6%	30
N. America, UK & I. General Staffing	41	35	16%	9%	2.8%	2.5%	30
N. America, UK & I. Professional Staffing	80	85	-7%	-12%	4.7%	5.0%	(30)
Germany, Austria, Switzerland	(10)	2	-603%	-566%	-1.1%	0.2%	(130)
Benelux & Nordics	27	23	18%	19%	2.8%	2.2%	60
Italy	78	79	-2%	-2%	8.2%	7.9%	30
Japan	53	46	17%	10%	7.5%	7.3%	20
Iberia	27	29	-4%	-4%	5.0%	5.1%	(10)
Rest of World	45	42	6%	10%	3.4%	3.2%	20
Career Transition & Talent Development	38	48	-20%	-24%	14.9%	23.0%	(810)
Corporate	(76)	(91)	-16%	-19%			
Adecco Group	**462**	**454**	**2%**	**0%**	**4.0%**	**3.9%**	**10**

in millions, except share and per share information

Reconciliation of EBITA to EBITA excluding one-offs

EBITA	EBITA excluding one-offs		One-offs		EBITA	
in EUR	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018
France	161	156	(2)		159	156
N. America, UK & I. General Staffing	41	37		(2)	41	35
N. America, UK & I. Professional Staffing	84	91	(4)	(6)	80	85
Germany, Austria, Switzerland	7	16	(17)	(14)	(10)	2
Benelux & Nordics	27	23			27	23
Italy	78	79			78	79
Japan	53	46			53	46
Iberia	27	29			27	29
Rest of World	45	43		(1)	45	42
Career Transition & Talent Development	43	49	(5)	(1)	38	48
Corporate	(75)	(85)	(1)	(6)	(76)	(91)
Adecco Group	**491**	484	(29)	(30)	**462**	454

Forward-looking statements

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intention 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 7 August 2019 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.

Selected financial information

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2019	2018
Statements of operations		
Revenues	11,568	11,744
Gross profit	2,208	2,140
Operating income	435	434
Net income attributable to Adecco Group shareholders	292	300

As of (in EUR)	30.06.2019	31.12.2018
Balance sheets		
Cash and cash equivalents and short-term investments	576	652
Trade accounts receivable, net	4,511	4,432
Operating lease right-of-use assets	440	
Goodwill	3,016	2,994
Total assets	10,271	9,718
Short-term debt and current maturities of long-term debt	274	267
Accounts payable and accrued expenses	4,089	4,084
Total operating lease liabilities	458	
Long-term debt, less current maturities	1,683	1,509
Total liabilities	6,800	6,129
Total shareholders' equity	3,471	3,589

For the six months ended 30 June (in EUR)	2019	2018
Cash flows from operations		
Cash flows from operating activities	326	319
Cash used in investing activities	(97)	(486)
Cash used in financing activities	(304)	(296)
Other indicators		
Capital expenditures	78	77

As of	30.06.2019	31.12.2018
Other indicators		
Net debt (in EUR)[1]	1,381	1,124
Additional statistics		
Number of FTE employees at end of period (approximate)	35,000	34,000

1 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.

Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2019	31.12.2018
Assets			
Current assets:			
• Cash and cash equivalents		576	652
• Trade accounts receivable, net		4,511	4,432
• Other current assets		326	231
Total current assets		5,413	5,315
Property, equipment, and leasehold improvements, net		298	282
Operating lease right-of-use assets		440	
Equity method investments		85	76
Other assets		613	625
Intangible assets, net		406	426
Goodwill		3,016	2,994
Total assets		10,271	9,718
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses		4,089	4,084
• Current operating lease liabilities		197	
• Short-term debt and current maturities of long-term debt	4	274	267
Total current liabilities		4,560	4,351
Operating lease liabilities		261	
Long-term debt, less current maturities	4	1,683	1,509
Other liabilities		296	269
Total liabilities		6,800	6,129
Shareholders' equity			
Adecco Group shareholders' equity:			
• Common shares		10	10
• Additional paid-in capital	5	574	578
• Treasury shares, at cost	5	(206)	(141)
• Retained earnings		3,336	3,407
• Accumulated other comprehensive income/(loss), net	5	(251)	(273)
Total Adecco Group shareholders' equity		3,463	3,581
Noncontrolling interests		8	8
Total shareholders' equity		3,471	3,589
Total liabilities and shareholders' equity		10,271	9,718

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

Consolidated statements of operations

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2019	2018
Revenues	2, 12	11,568	11,744
Direct costs of services		(9,360)	(9,604)
Gross profit		2,208	2,140
Selling, general, and administrative expenses		(1,746)	(1,686)
Amortisation of intangible assets		(27)	(20)
Operating income	12	435	434
Interest expense		(18)	(21)
Other income/(expenses), net	9	(4)	7
Income before income taxes		413	420
Provision for income taxes	10	(121)	(119)
Net income		292	301
Net income attributable to noncontrolling interests			(1)
Net income attributable to Adecco Group shareholders		292	300
Basic earnings per share	11	1.80	1.81
Basic weighted-average shares	11	162,350,547	165,620,677
Diluted earnings per share	11	1.80	1.81
Diluted weighted-average shares	11	162,640,853	165,934,475

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

Consolidated statements of comprehensive income

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2019	2018
Net income		**292**	301
Other comprehensive income/(loss), net of tax:			
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2019: less than EUR 1, 2018: less than EUR 1)			(2)
• Currency translation adjustment of net investment hedges (net of tax of, 2019: less than EUR 1, 2018: less than EUR 1)		**(1)**	(2)
• Currency translation adjustment excluding long-term intercompany loans and net investment hedges (net of tax of, 2019: less than EUR 1, 2018: less than EUR 1)		**22**	39
• Change in net actuarial gain/(loss) on pensions including currency translation adjustment (net of tax of, 2019: less than EUR 1, 2018: less than EUR 1)	6		1
• Change in fair value of securities (net of tax of, 2019: less than EUR 1, 2018: less than EUR 1)		**1**	
Total other comprehensive income		**22**	36
Total comprehensive income		**314**	**337**
Less comprehensive income/(loss) attributable to noncontrolling interests			(1)
Comprehensive income attributable to Adecco Group shareholders		**314**	**336**

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

Consolidated statements of cash flows

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2019	2018
Cash flows from operating activities		
Net income	292	301
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	74	62
• Other charges	8	2
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(68)	(180)
• Accounts payable and accrued expenses	60	65
• Other assets and liabilities	(40)	69
Cash flows from operating activities	326	319
Cash flows from investing activities		
Capital expenditures	(78)	(77)
Acquisition of Vettery, net of cash and restricted cash acquired		(77)
Acquisition of General Assembly, net of cash and restricted cash acquired		(317)
Cash settlements on derivative instruments	(15)	7
Other acquisition, divestiture and investing activities, net	(4)	(22)
Cash used in investing activities	(97)	(486)
Cash flows from financing activities		
Net increase in short-term debt	5	440
Borrowings of long-term debt, net of issuance costs	353	2
Repayment of long-term debt		(350)
Buyback of long-term debt	(211)	
Dividends paid to shareholders	(360)	(350)
Purchase of treasury shares	(87)	(38)
Other financing activities, net	(4)	
Cash used in financing activities	(304)	(296)
Effect of exchange rate changes on cash, cash equivalents and restricted cash		6
Net decrease in cash, cash equivalents and restricted cash	(75)	(457)
Cash, cash equivalents and restricted cash:		
• Beginning of year	718	1,003
• End of period	643	546

Consolidated statements of cash flows continued

in millions, except share and per share information

The following table provides a reconciliation of cash, cash equivalents and restricted cash to the amounts reported in the Company's consolidated balance sheets:

For the six months ended 30 June (in EUR)	2019	2018
Reconciliation of cash, cash equivalents and restricted cash at beginning of year:		
Current assets:		
• Cash and cash equivalents	652	958
• Restricted cash included in Other current assets	10	8
Noncurrent assets:		
• Restricted cash included in Other assets	56	37
Cash, cash equivalents and restricted cash at beginning of year:	718	1,003
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Current assets:		
• Cash and cash equivalents	576	487
• Restricted cash included in Other current assets	13	7
Noncurrent assets:		
• Restricted cash included in Other assets	54	52
Cash, cash equivalents and restricted cash at end of period	643	546
Supplemental disclosures of cash paid		
Cash paid for interest	6	20
Cash paid for income taxes	132	113

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

Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
1 January 2019	10	578	(141)	3,407	(273)	8	3,589
Comprehensive income:							
Net income				292			292
Other comprehensive income/(loss)					22		22
Total comprehensive income							**314**
Stock-based compensation		7					7
Vesting of share awards		(11)	11				
Treasury shares purchased on second trading line			(61)				(61)
Other treasury share transactions			(15)				(15)
Cash dividends, CHF 2.50 per share				(363)			(363)
30 June 2019	10	574	(206)	3,336	(251)	8	3,471

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
1 January 2018	11	579	(338)	3,613	(291)	8	3,582
Adoption of ASU 2016-16[1]				(19)			(19)
1 January 2018 (upon adoption of ASU 2016-16)	11	579	(338)	3,594	(291)	8	3,563
Comprehensive income:							
Net income				300		1	301
Other comprehensive income/(loss)					36		36
Total comprehensive income							**337**
Stock-based compensation		6					6
Vesting of share awards		(14)	14				
Treasury shares purchased on second trading line			(25)				(25)
Other treasury share transactions			(5)				(5)
Cash dividends, CHF 2.50 per share				(353)			(353)
30 June 2018	11	571	(354)	3,541	(255)	9	3,523

1 The Company adopted ASU 2016-16 "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" on 1 January 2018. Upon adoption, the 31 December 2017 "Other assets" were reduced by EUR 19 directly against "Retained earnings" which was also reduced by EUR 19.

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

Notes to 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 Group AG, a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which the Adecco Group 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 31 December 2018 and for the year then ended (except as noted below under "Leases").

Certain information and footnote disclosures included in the audited consolidated financial statements as of 31 December 2018 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 Company Report, the Corporate Governance, and the Remuneration Report for the fiscal year ended 31 December 2018.

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

Cash, cash equivalents, restricted cash and short-term investments

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

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

Restricted cash balances generally consist of deposits made in connection with lease/rent agreements and other refundable deposits, legal claims, cash received from customers but owed to subcontractors and funds set aside in connection with outstanding options and warrants arising from acquisitions.

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. This provided employers with a tax credit on employee salaries up to 2.5 times the minimum wage with CICE earned creditable against current income tax payable in France with any remaining amount paid after three years from earning. For 2018, the rate of the tax credit was 6%. In 2019 CICE was replaced by social charge reductions.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842) that establishes a broad principle requiring a lessee to recognise in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The Company adopted the new standard as of 1 January 2019 using the modified retrospective approach electing the three transitional practical expedients package. No reassessment was performed on expired or existing contracts to determine whether the contracts contain leases, whether the previous lease classifications remain appropriate, or whether the initial direct costs determination remains appropriate. The most significant effects upon adoption of Topic 842 was the recognition of EUR 477 operating lease right-of-use assets and EUR 491 operating lease liabilities.
The adoption of Topic 842 did not have a significant impact on the Company's consolidated statements of operations and cash flows. Prior periods have not been adjusted to conform to the current period presentation.

Notes to consolidated financial statements continued

in millions, except share and per share information

The Company enters into operating lease contracts mainly for real estate and motor vehicles resulting in Operating lease right-of-use assets, Current operating lease liabilities and Operating lease liabilities as presented in the Company's consolidated balance sheets. Operating lease right-of-use assets represent the Company's right to use underlying assets for the lease term. Current operating lease liabilities and Operating lease liabilities represent the Company's current- and long-term obligations arising from operating lease contracts.

Nonlease components are separated from lease components for real estate lease contracts while there is no separation between lease and nonlease components for motor vehicle lease contracts. The Company considers consideration paid in relation to separated nonlease components to already reflect the market value of the leased property and accordingly no further allocation of the lease component consideration is undertaken. The remaining lease terms of operating leases vary from one year to 18 years, some of which contain options to extend the lease term or to terminate the lease with a notice period. The Company considers lease and nonlease components as well as extension options to lease terms in order to establish its Operating lease right-of-use assets and the corresponding current- and long-term obligations. For most of the Company's operating leases, an implicit rate is not readily determined. To determine the present value of future lease payments at the commencement date of an operating lease contract, the Company uses its incremental borrowing rate. The incremental borrowing rate is estimated to approximate the external interest rate for the Company and is adjusted based on the economic environment where the leased asset is located.

Operating lease right-of-use assets are measured at the commencement date of the operating lease contract at the value of the arising operating lease obligations. Operating lease right-of-use assets are further adjusted for any lease prepayments, lease incentives received, and initial direct costs incurred. Payments made by the Company to settle operating lease obligations are primarily fixed, however, certain operating lease contracts contain variable payments which are determined based on variable indicators such as the Consumer Price Index, fluctuating property tax rates in a real estate lease or the mileage consumed in a motor vehicle lease. Variable payments are expensed as incurred and are not included in the Operating lease right-of-use assets or Operating lease obligations measurement. Payments made in lease arrangements where the lease term is 12 months or less and where an option to purchase the underlying asset does not exist, are similarly expensed as incurred. Operating lease expenses are recognised on a straight-line basis over the lease term and recorded in the consolidated statements of operations, in Direct costs of services, or Selling, general, and administrative expenses, depending on the nature of the expenses.

New accounting guidance

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13). The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognises as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The new guidance is effective for the Company for fiscal years beginning after 15 December 2020 including interim periods within those fiscal years. The Company plans to adopt this guidance as of 1 January 2021 and is currently assessing the impact of this guidance on the consolidated financial statements.

Presentation and reclassifications

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

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 2 – Revenues

Revenues are recognised as the Company satisfies its obligations under a contract with a customer, which is when control of the promised services is transferred to the customer and in an amount that reflects the expected consideration the Company is entitled to in exchange for those services. Revenues are recognised and reported net of any sales taxes.

The following table presents the Company's revenues disaggregated by type of service provided.

For the six months ended 30 June (in EUR)	2019	2018[1]
Temporary staffing	**9,914**	10,187
Permanent placement	**297**	282
Career transition	**174**	175
Other	**1,183**	1,100
Total revenues	**11,568**	11,744

The following table presents the Company's revenues disaggregated by country and business line[2].

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Six months ended 30 June 2019	2,736	2,113	1,030	676	708	955	238	3,112	11,568
Six months ended 30 June 2018	2,824	2,018	1,022	805	627	999	242	3,207	11,744

	Office	Industrial	Information Technology	Engineering & Technical	Finance & Legal	Medical & Sciences	Solutions	Total
Six months ended 30 June 2019	2,720	5,916	1,444	358	489	294	347	11,568
Six months ended 30 June 2018[1]	2,677	6,249	1,427	339	495	271	286	11,744

1 Certain reclassifications have been made in order to conform to the current period presentation.

2 Please refer to Note 12 for a description of business lines.

Notes to consolidated financial statements continued

in millions, except share and per share information

Temporary staffing

Revenues related to temporary staffing services are generally negotiated and invoiced on an hourly basis. Associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Temporary staffing contract durations can range from less than one month to multiple years but generally may be terminated earlier if appropriate notice is provided. Temporary staffing service revenues are recognised over time upon rendering the services and in line with the Company's right to invoice the customer. The Company provides temporary staffing services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

Permanent placement

Revenues related to permanent placement services are generally recognised at the point in time the candidate begins full-time employment, or once the fee is earned and the Company has no further obligations to the customer. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations and presented in Other accrued expenses in Accounts payable and accrued expenses and recorded as a reduction of revenue. The Company provides permanent placement services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; India and Career Transition & Talent Development.

Career transition

Revenues related to career transition are negotiated with the client on a project basis and are generally recognised over time upon rendering the services, such as consulting services where revenue is billed and recognised on an hourly basis or workshops and coaching sessions with stated fees per service. The Company also offers multi-month career transition packages or similar services in which participants are offered a range of services for a fixed price. Fees invoiced prior to providing services are deferred and recorded in Other accrued expenses in Accounts payable and accrued expenses until the services are rendered. These revenues are recognised based on historical usage of offered services by the participants over the duration of service period to best depict the transfer of services to the customer. Additionally, certain contracts may contain multiple performance obligations, in which case the Company allocates revenue to each performance obligation based on the standalone selling prices, generally determined based on the prices it would charge to other customers in similar circumstances. The Company provides career transition services in Italy, Benelux & Nordics, India and Career Transition & Talent Development operating segments.

Other services

Revenues related to other services includes outsourcing, Managed Service Programmes (MSP), and Recruitment Process Outsourcing (RPO), digital and talent development. Other services are generally recognised over time as the services are performed in the amount to which the Company has a right to invoice. Fees invoiced prior to providing services are deferred and recorded in Other accrued expenses in Accounts payable and accrued expenses until the services are rendered. The Company provides other services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

Principal vs. agent

The Company determines whether it is a principal or an agent by evaluating if it obtains control of the specified services within an arrangement. For contracts with customers in which the Company is the principal the Company reports gross revenues and gross direct costs. Under arrangements where the Company is an agent, as is generally the case in most MSP contracts, revenues are reported on a net basis.

Discounts, rebates, and other transaction price adjustments are estimated at contract inception and recognised as reductions to sales over the duration of the contract. The Company uses historical experience to estimate these types of variable consideration and records a contract liability as the related revenues are recognised. The Company does not expect significant changes to its estimates of variable consideration to occur.

The Company's payment terms in its contracts vary by the type and location of its customer and the services offered. The Company's client contracts are generally short-term in nature with a term of one year or less. The Company provides services in the normal course of business at arm's length terms to entities that are affiliated with certain of its officers, Board members, and significant shareholders through investment or board directorship.

Upon rendering services to its customers, the Company recognises its unconditional rights to consideration as receivables presented as Trade accounts receivable, net. The period between when services are performed, the customer is billed, and when payment is due is not significant.

Practical expedients and exemptions

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected duration of one year or less and (ii) contracts for which the Company recognises revenue at the amount to which it has the right to invoice for services performed. Revenues from long-term temporary staffing and outsourcing contracts will generally be recognised over the next one to three years based on the agreed-upon rates and levels of services performed.

Additionally, the Company recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the contract asset would be one year or less.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 3 – Acquisitions

The Company made acquisitions in the first six months of 2019 and 2018. The Company does not consider any of its 2019 and 2018 acquisition transactions to be material, individually or in the aggregate, to its consolidated balance sheets or statements of operations.

The following table illustrates the aggregate impact of the 2019 and 2018 acquisitions:

in EUR	2019	2018
Impact of acquisitions		
Net tangible assets acquired	2	54
Identified intangible assets	4	70
Goodwill	2	301
Deferred tax assets/(liabilities), net	(1)	5
Total consideration	**7**	**430**

In February 2018, the Company acquired all outstanding shares of Vettery, Inc. (Vettery) which operates as a digital professional permanent recruitment marketplace for EUR 77, net of EUR 1 cash acquired. Goodwill of EUR 56 and intangible assets of EUR 22 were recorded in connection with Vettery. Vettery was consolidated by the Company as of 20 February 2018, and the results of Vettery operations have been included in the consolidated financial statements since 20 February 2018. The goodwill arising from the acquisition consists largely of acquired expertise and increased penetration in the US digital professional permanent recruitment market.

In May 2018, the Company acquired all outstanding shares of General Assembly Space, Inc. (General Assembly) for EUR 316, net of EUR 5 cash and EUR 7 restricted cash acquired. Goodwill of EUR 236 and intangible assets of EUR 66 were recorded in connection with General Assembly. General Assembly was consolidated by the Company as of 31 May 2018, and the results of General Assembly operations have been included in the consolidated financial statements since 31 May 2018. The goodwill arising from the acquisition consists largely of acquired expertise and increased penetration in the career transformation markets.

Total acquisition related costs expensed in 2019 and 2018 were not significant. Acquisition related costs are included in SG&A within the consolidated statements of operations.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 4 – Financing arrangements

The Company's long-term and short-term debt amounted to EUR 1,957 as of 30 June 2019, compared to EUR 1,776 as of 31 December 2018. Bank overdrafts and other short-term borrowings amounted to EUR 59 as of 30 June 2019, compared to EUR 52 as of 31 December 2018.

Long-term debt

The Company's long-term debt as of 30 June 2019 and 31 December 2018 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2019	31.12.2018
10.5-year guaranteed Euro medium-term notes	EUR 300	2029	1.25%	**302**	
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	**504**	499
7-year guaranteed Euro medium-term notes	EUR 300	2022	1.5%	**302**	501
4-year guaranteed USD medium-term notes	USD 300	2021	2.625%	**267**	260
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	**112**	111
6-year guaranteed Euro medium-term notes	EUR 214	2019	2.75%	**214**	214
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	**90**	89
15-year guaranteed Japanese Yen fixed rate notes	JPY 6,000	2033	1.05%	**49**	48
20-year guaranteed Japanese Yen fixed rate notes	JPY 7,000	2039	1.14%	**57**	
Other				**1**	2
				1,898	1,724
Less current maturities				**(215)**	(215)
Long-term debt, less current maturities				**1,683**	**1,509**

10.5-year guaranteed Euro medium-term notes due 2029

On 20 May 2019, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 300 medium-term 10.5-year notes with a coupon of 1.25%, guaranteed by Adecco Group AG, due on 20 November 2029, but callable by the Company at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were primarily used to partially buyback the 2022 notes.

7-year guaranteed Euro medium-term notes due 2022

On 18 May 2015, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 medium-term 7-year notes with a coupon of 1.5%, guaranteed by Adecco Group AG, due on 22 November 2022, but callable by the Company at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds were used for general corporate purposes. In May 2019, the Company bought back EUR 200 nominal value at 105.223% of the outstanding 2022 notes and incurred a loss of EUR 10 on the buyback included in other income/(expenses), net. The buyback reduced the nominal value of the outstanding principal of the 2022 notes to EUR 300.

20-year guaranteed Japanese Yen fixed rate notes due 2039

On 12 April 2019, Adecco Financial Services (North America), LLC, a wholly owned subsidiary of the Company, issued JPY 7,000 medium-term 20-year notes with a coupon of 1.14%, guaranteed by Adecco Group AG, due on 12 April 2039. The notes were issued within the framework of the Euro Medium-Term Note Programme. There is no public listing of the notes. The proceeds were primarily used for general corporate purposes.

Other credit facilities

Committed multicurrency revolving credit facility

The Company maintains a committed 5-year EUR 600 multicurrency revolving credit facility with two 1-year extension options, with a maturity date of April 2023. In March 2019, the first 1-year extension option was exercised, and the maturity date of the credit facility was extended to April 2024. 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 0.225% and 0.55% per annum, depending on certain net debt-to-EBITDA ratios. The applicable margin levels set out above shall be subject to further variation in accordance with certain "ESG Score" provisions. In addition to the interest rate costs, a utilisation fee of 0.075%, 0.15%, or 0.30% applies for total utilisation of up to 33.33%, 66.67%, and above 66.67% of the facility amount, respectively. No utilisation fee shall be payable while the facility is unutilised. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of 30 June 2019 and 31 December 2018, there were no outstanding borrowings under the credit facility.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 5 – Shareholders' equity

Authorised shares and appropriation of available earnings

As of 30 June 2019 and 31 December 2018, Adecco Group AG was authorised by its shareholders to issue up to 15,400,000 shares 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.

As of 30 June 2019 the Board of Directors is authorised, until 30 April 2021, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,167,200 shares with a nominal value of CHF 0.10 per share. As of 31 December 2018, the Board of Directors was authorised, until 30 April 2019, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,557,809 shares with a nominal value of CHF 0.10 per share.

In the first six months of 2019 and the first six months of 2018 the number of treasury shares acquired on the regular trading line amounted to 319,583 and 84,423, respectively, and the net consideration paid amounted to EUR 15 and EUR 5, respectively.

During the six months ended 30 June 2019 and the six months ended 30 June 2018, the Company awarded 13,447 and 11,082 treasury shares, respectively, to the Board of Directors as part of their compensation packages. In addition, in the first six months of 2019 and the first six months of 2018, 191,168 and 237,347 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

The Company launched the following share buyback programmes on a second trading line with the aim of subsequently cancelling the shares and reducing share capital:

- EUR 300 announced in March 2017 (completed in March 2018)
- EUR 150 announced in March 2018 (completed in March 2019)

In the first six months of 2019 and the first six months of 2018 the number of treasury shares acquired under the share buyback programmes amounted to 1,378,750 and 378,760 respectively, and the net consideration paid amounted to EUR 61 and EUR 25, respectively.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 16 April 2019 (2019 AGM), the shareholders approved the cancellation of 3,231,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,231,750 registered shares with a nominal value of CHF 0.10 each. The cancellation of 3,231,750 treasury shares was completed on 3 July 2019. Effective 3 July 2019 the share capital of the Company amounts to CHF 16 divided into 163,344,177shares.

At the 2019 AGM, the shareholders approved a dividend for a total of CHF 2.50 per share outstanding in respect of the fiscal year 2019. The entire dividend of EUR 363 was directly distributed to shareholders from voluntary retained earnings in April 2019.

Notes to consolidated financial statements continued

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	30.06.2019	31.12.2018
Currency translation adjustment	(206)	(227)
Change in fair value of securities	1	
Change in fair value of cash flow hedges	(1)	(1)
Pension-related adjustments	(45)	(45)
Accumulated other comprehensive income/(loss), net	**(251)**	**(273)**

In the first six months of 2019 an amount of EUR 1 (net of tax of less than EUR 1) was reclassified from accumulated other comprehensive income/(loss), net to line item "Other income/(expenses), net" in the statement of operations in connection with pension-related adjustments.

Note 6 – Employee benefit plans

For the six months ended 30 June 2019 and 30 June 2018, estimated net pension expense for the defined benefit plans are as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2019	2018	2019	2018
Components of pension expense				
Service cost	10	9	4	3
Interest cost	1	1	1	1
Expected return on plan assets	(3)	(3)	(1)	(1)
Amortisation of prior years' service costs		(1)	1	1
Amortisation of net (gain)/loss			1	1
Pension expense, net	**8**	**6**	**6**	**5**

All other components of net defined pension expense except service costs are included in the line item "Other income/(expenses), net" in the statement of operations.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 7 – Financial instruments

In accordance with 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.

As the Company is exposed to interest rate risk through its financial investments and borrowings it manages this risk using derivative financial instruments such as interest rate swaps. Using inputs such as management guidance, macro environment and financial market conditions as well as underlying exposure duration, the Company endeavours to optimise its fix/floating rate mix profile and optimally manage interest expense. The Company has entered into interest rate swaps to hedge or offset the fixed interest rates on the hedged item, matching the amount and timing of the hedged item and subsequently allowing the Company to adapt the profile of its outstanding debt. The derivative financial instruments hedge Japanese Yen, US dollar, and Euro fixed-rate debt.

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 limits the use of derivative instruments for trading and speculative purposes. Group management approves the hedging strategy and monitors the underlying market risks.

Notes to consolidated financial statements continued

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 30 June 2019 and 31 December 2018:

	30.06.2019		31.12.2018	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	576	576	652	652
• Trade accounts receivable, net	4,511	4,511	4,432	4,432
Current liabilities:				
• Accounts payable	876	876	793	793
• Short-term debt	59	59	52	52
• Current maturities of long-term debt	215	217	215	222
Non-current liabilities:				
• Long-term debt, less current maturities	1,683	1,719	1,509	1,758

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.

- 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 4 for details of debt instruments).

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of 30 June 2019 and 31 December 2018:

		Notional amount		Fair value	
in EUR	Consolidated balance sheet location	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	354	44	4	1
• Other contracts	Other current assets	110		1	
• Interest rate swap	Other assets	764	300	22	6
• Cross-currency interest rate swap	Other assets	57	48	3	
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	533	310	5	6
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	143	314	(1)	(12)
• Other contracts	Other accrued expenses	110			
• Interest rate swap	Other liabilities		262		
• Cross-currency interest rate swap	Other liabilities	49		(2)	
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	1,021	669	(18)	(13)
• Cross-currency interest rate swaps	Other accrued expenses		44		(1)
• Cross-currency interest rate swaps	Other liabilities	288	200	(15)	(10)
Total net derivatives				(1)	(23)

Notes to consolidated financial statements continued

in millions, except share and per share information

In addition, as of 30 June 2019 and 31 December 2018, accrued interest receivable on the interest rate swaps of EUR 5 and less than EUR 1, respectively, was recorded in other current assets.

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. 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 30 June 2019 and 31 December 2018, the total impact of non-performance risk was an adjustment of less than EUR 1 and less than EUR 1, respectively.

Fair value hedges

Interest rate swaps that contain a receipt of fixed interest rate amounts and payment of floating interest rate amounts, have been designated as a fair value hedges for a portion of the EUR and USD notes issued by Adecco International Financial Services BV.

The following table shows the gain/(loss) recognised in earnings related to the fair value hedges as of 30 June 2019 and 30 June 2018:

		30.06.2019		30.06.2018	
in EUR	Location of gain/(loss) in Consolidated statements of operations	Recognised on derivatives	Recognised on hedged item	Recognised on derivatives	Recognised on hedged item
Derivatives designated as fair value hedges					
• Interest rate swap	Interest expense	17	(16)	4	(2)

The Company recorded a gain of less than EUR 1 in the first six months of 2019 and 2018, respectively, in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2019 or the first six months of 2018.

The following table shows the amounts recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of 30 June 2019 and 31 December 2018:

	30.06.2019			31.12.2018		
in EUR	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued
Liabilities						
Non-current liabilities:						
• Long-term debt, less current maturities	829	(21)	(2)	614	(6)	(1)

Notes to consolidated financial statements continued

in millions, except share and per share information

Cash flow hedges

Cross-currency interest rate swaps, that contain a receipt of fixed interest rate amount in JPY and payment of fixed interest rate amount in USD, have been designated as cash flow hedges of the JPY notes issued by Adecco Financial Services (North America), LLC.

Further, the Company entered into foreign currency contracts, that have been designated as cash flow hedges, to mitigate exposure to foreign currency exchange rate volatility arising from intercompany cash flows within the next 12 months denominated in other currencies than Swiss Francs.

The following table shows the gain/(loss) recorded in other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as cash flow hedges as of 30 June 2019 and 30 June 2018:

		30.06.2019		30.06.2018	
in EUR	Location of gain/(loss) in Consolidated statements of operations	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
Derivatives designated as cash flow hedges					
• Foreign currency contracts	Other income/ (expenses), net	2			
• Cross-currency interest rate swap	Other income/ (expenses), net	(2)	2		

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

The Company has entered into derivative contracts that are designated as net investment hedges under ASC 815 to hedge a portion of investments with operations in different currencies against Swiss Francs.

The following table shows the gain/(loss) recorded in Other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as net investment hedges as of 30 June 2019 and 30 June 2018:

		30.06.2019		30.06.2018	
in EUR	Location of gain/(loss) in Consolidated statements of operations	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
Derivatives designated as net investment hedges					
• Foreign currency contracts	Other income/ (expenses), net	(1)		(6)	

Notes to consolidated financial statements continued

in millions, except share and per share information

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Forward foreign currency contracts and cross-currency interest rate swaps are 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.

The following table shows the gain/(loss) recognised in earnings related to derivatives not designated as hedging instruments as of 30 June 2019 and 30 June 2018:

		Gain/(loss) on derivative recognised in earnings	
in EUR	Location of gain/(loss) in Consolidated statements of operations	30.06.2019	30.06.2018
Derivatives not designated as hedging instruments			
• Foreign currency contracts	Other income/ (expenses), net	(7)	(7)
• Cross-currency interest rate swap	Other income/ (expenses), net	(5)	(1)

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.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 8 – 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 30 June 2019 and 31 December 2018, consistent with the fair value hierarchy provisions of ASC 820 "Fair Value Measurements":

in EUR	Level 1	Level 2	Level 3	Total
30 June 2019				
Assets				
Available-for-sale securities			5	**5**
Derivative assets		35		**35**
Liabilities				
Derivative liabilities		36		**36**
31 December 2018				
Assets				
Available-for-sale securities			3	3
Derivative assets		13		13
Liabilities				
Derivative liabilities		36		36

Note 9 – Other income/(expenses), net

For the first six months of 2019 and the first six months of 2018, Other income/(expenses), net, consist of the following:

in EUR	2019	2018
Foreign exchange gain/(loss), net	**(4)**	(5)
Interest income	**7**	5
Proportionate net income of equity method investments	**10**	7
Other non-operating income/(expenses), net	**(17)**	
Total other income/(expenses), net	**(4)**	**7**

In 2019, Other non-operating income/(expenses), net includes a EUR 10 loss related to the buyback of the outstanding 2022 Adecco International Financial Services BV notes (refer to Note 4 for details).

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 10 – Income taxes

Adecco Group AG 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 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 2019 were provided at a rate of 29%, based on the Company's current estimate of the annual effective tax rate. For the first six months of 2018, the tax rate was 28%.

The income tax rate in the first six months of 2019 and in the first six months of 2018 includes the positive impact of EUR 14 and negative impact of EUR 5, respectively, from tax disputes, prior year adjustments, the expiration of the statute of limitations, and other discrete events.

As of 30 June 2019 the total amount of unrecognised tax benefits recorded increased by EUR 12 compared to 31 December 2018 primarily due to current year additions and fluctuations in foreign currency exchange rates. As of 30 June 2018 the total amount of unrecognised tax benefits recorded increased by EUR 11 compared to 31 December 2017 as a result of current year additions and fluctuations in foreign currency exchange rates.

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.

Note 11 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended 30 June 2019 and 30 June 2018:

	2019		2018	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income attributable to Adecco Group shareholders	292	292	300	300
Denominator				
Weighted-average shares	162,350,547	162,350,547	165,620,677	165,620,677
Incremental shares for assumed conversions:				
• Employee stock-based compensation		290,306		313,798
Total average equivalent shares	162,350,547	162,640,853	165,620,677	165,934,475
Per share amounts				
Net earnings per share	1.80	1.80	1.81	1.81

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 12 – Segment reporting

The Company is organised in a geographical structure plus the global CTTD business, which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; and the Rest of World segments that comprise Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India segments. 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), and Business Process Outsourcing (BPO) which includes Managed Service Programmes (MSP) and Recruitment Process Outsourcing (RPO). 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, equity method investments, 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.

Revenues derived from temporary staffing represented 86% for the first 6 months of 2019 and 87% for the first 6 months of in 2018 of the Company's revenues. The remaining portion was derived from permanent placement, career transition, and other services.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career transition & Talent development	Other	Corporate	Total
Six months ended 30 June 2019											
Revenues	2,703	1,449	1,709	956	948	954	707	258	1,884		11,568
Operating income before amortisation of intangible assets	159	41	80	(10)	27	78	53	38	72	(76)	462
Amortisation of intangible assets											(27)
Operating income											435
Interest expense, and other income/(expenses), net											(22)
Provision for income taxes											(121)
Net income											**292**

Notes to consolidated financial statements continued

in millions, except share and per share information

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career transition & Talent development	Other	Corporate	Total
Six months ended 30 June 2018											
Revenues	2,787	1,388	1,716	1,078	1,041	998	625	209	1,902		11,744
Operating income before amortisation of intangible assets	156	35	85	2	23	79	46	48	71	(91)	454
Amortisation of intangible assets											(20)
Operating income											434
Interest expense, and other income/(expenses), net											(14)
Provision for income taxes											(119)
Net income											**301**

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career transition & Talent development	Other	Corporate	Total
30 June 2019											
Segment assets	1,896	2,043	1,772	959	760	425	586	933	1,154	(257)	10,271
31 December 2018											
Segment assets	1,720	1,835	1,709	895	714	382	483	855	1,064	61	9,718

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 13 – Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 800. 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 14 – Subsequent events

At the Annual General Meeting of Shareholders of Adecco Group AG held on 16 April 2019 (2019 AGM), the shareholders approved the cancellation of 3,231,750 treasury shares acquired under the share buyback programme and the corresponding reduction of Adecco Group AG's share capital by 3,231,750 registered shares with a nominal value of CHF 0.10 each. The cancellation of 3,231,750 treasury shares was completed on 3 July 2019. Effective 3 July 2019 the share capital of the Company amounts to CHF 16 divided into 163,344,177shares.

The Company has evaluated subsequent events through 7 August 2019, the date the financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to 7 August 2019 that would have a material impact on the consolidated financial statements.

Non-US GAAP information and financial measures

in millions, except share and per share information

Non-US GAAP information and financial measures

The Company uses non-US GAAP financial measures for management purposes. The principal non-US GAAP financial measures discussed herein are constant currency, organic growth, EBITA, EBITA excluding one-offs, conversion ratio, free cash flow, cash conversion, net debt, and net debt to EBITDA excluding one-offs, which are used in addition to, and in conjunction with results presented in accordance with US GAAP.

The aforementioned non-US GAAP financial measures should not be relied upon to the exclusion of US 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 US GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

Because non-US GAAP financial measures are not standardised, it may not be possible to compare the Company's measures with other companies' non-US 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.

Bill rate

An average hourly billing rate for temporary staffing services indicating current price levels.

Pay rate

An average hourly payroll rate including social charges for temporary staffing services indicating current costs.

Constant currency

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 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

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.

EBITA

EBITA refers to operating income before amortisation and impairment of goodwill and intangible assets. Management believes that EBITA is important supplemental information because it focuses on the underlying growth and performance of the Company's business.

EBITA excluding one-offs

EBITA excluding one-offs refers to EBITA adjusted for items impacting comparability. Management believes that EBITA excluding one-offs is important supplemental information because it excludes the effect of items that are not expected to recur in future periods, and therefore shows more clearly the underlying performance of the Company's business.

EBITDA

EBITDA refers to operating income before amortisation and impairment of goodwill and intangible assets and depreciation. Management believes that EBITDA is important supplemental information because it focuses on the underlying growth and performance of the Company's business excluding non-cash charges.

EBITDA excluding one-offs

EBITDA excluding one-offs refers to EBITDA adjusted for items impacting comparability. Management believes that EBITDA excluding one-offs is important supplemental information because it excludes the effect of items that are not expected to recur in future periods, and therefore shows more clearly the underlying performance of the Company's business excluding non-cash charges.

Conversion ratio

EBITA as a percentage of gross profit. Management believes that the conversion ratio is important supplemental information because this ratio displays the efficiency with which gross profit is converted to EBITA. The Company uses this metric to manage productivity and profitability.

Free cash flow (FCF)

Free cash flow (FCF) comprises cash flow from operating activities less capital expenditures. Management believes that FCF is important supplemental information because it represents the cash generated by the Company after the investments in assets necessary to support existing business activities and to pursue internal growth opportunities.

Cash conversion

Cash conversion is calculated as free cash flow before interest and tax paid (FCFBIT) divided by EBITA excluding one-offs. Management believes that cash conversion is important supplemental information because it represents how much underlying operating profit is converted into cash flows of the Company before the impact of interest and taxes paid.

Days sales outstanding (DSO)

Accounts receivable turnover. Management believes that DSO is important information as it represents the average time taken to collect accounts receivable.

Net debt

Net debt comprises short-term and long-term debt less cash and cash equivalents and short-term investments. Management believes that net debt is important supplemental information because it is one metric the Company uses to monitor outstanding debt obligations.

Net debt to EBITDA excluding one-offs

Management believes that net debt to EBITDA excluding one-offs is important supplemental information because it is one metric the Company uses to monitor its ability to meet outstanding debt obligations.

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