Half Year Report 2009

Adecco

better work, better life

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Adecco Group – Selected financial information (unaudited)

in millions, except share and per share information

For the six months ended (in EUR)	30.6.2009	30.6.2008
Statements of operations		
Revenues	7,294	10,231
Amortisation of intangible assets	(26)	(22)
Impairment of goodwill and intangible assets	(192)	
Operating income/(loss)	(143)	509
Net income/(loss) attributable to Adecco shareholders	(124)	349

As of (in EUR)	30.6.2009	31.12.2008
Balance sheets		
Cash and cash equivalents and short-term investments	923	581
Trade accounts receivable, net	2,464	3,046
Goodwill	2,586	2,666
Total assets	7,122	7,530
Short-term debt and current maturities of long-term debt	25	56
Accounts payable and accrued expenses	2,631	3,053
Long-term debt, less current maturities	1,509	1,142
Total liabilities	4,604	4,732
Total shareholders' equity	2,518	2,798

For the six months ended (in EUR)	30.6.2009	30.6.2008
Cash flows		
Cash flows from operating activities	282	238
Cash flows from/(used in) investing activities	(99)	(91)
Cash flows from/(used in) financing activities	158	(343)
Other indicators		
Capital expenditures, net	(54)	(48)

As of	30.6.2009	31.12.2008
Other indicators		
Net debt (in EUR)[1]	611	617
Additional statistics		
Number of FTE employees at end of period (approximate)	29,000	34,000

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

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Operational results

1.1 Overview

Statements throughout this discussion and analysis using the term "the Company" refer to the Adecco Group, which comprises Adecco S.A., a Swiss corporation, its majority-owned subsidiaries and other affiliated entities.

The Company was confronted with an exceptionally challenging business environment in the first six months of 2009.

Group **revenues** for the first six months of 2009 were EUR 7,294. Compared to the same period last year, revenues declined by 29%. In constant currency, revenues were down 30%. All geographies, with the exception of Emerging Markets, experienced double digit revenue decline in constant currency in the first six months of 2009. Permanent placement revenues amounted to EUR 97, a decrease of 51%, and outplacement revenues amounted to EUR 172, an increase of 61%, both in constant currency, in the first six months of 2009.

Gross margin was 18.2%, down 50 basis points ("bps") compared to the first six months of 2008. In the first six months of 2008, the gross profit was positively impacted, in the amount of EUR 61, by the modification to the calculation of social charges in France related to the year 2005 (for further details refer to Note 1 to the consolidated financial statements). When excluding these benefits, the gross margin in the first six months of 2009 was up 10 bps compared to the first six months of 2008, mainly due to the growing contribution from outplacement and other services, which was partly offset by a lower gross margin in the temporary staffing and the negative impact of the lower permanent placement business.

Selling, general and administrative expenses ("SG&A") were down 9% or 11% in constant currency. SG&A as a percentage of revenues increased by 370 bps to 17.2% in the first six months of 2009 (H1 2008: 13.5%). Included in the first six months of 2009 are restructuring costs for headcount reductions and branch optimisation ("Restructuring") in certain countries of EUR 90. Excluding the costs related to the restructuring activities in 2009 of EUR 90 and the modification to the calculation of French social charges of EUR 7 in 2008, and the currency impact, SG&A decreased by 17% in the first six months of 2009 compared to the first six months of 2008. The office network declined by 12% and full time equivalent ("FTE") employees declined by 15%. As of the end of June 2009, the Company had over 29,000 FTE employees and over 5,800 offices.

Amortisation of intangible assets increased by EUR 4 to EUR 26 in the first six months of 2009.

Impairment of goodwill and intangible assets. In the first six months of 2009, the Company recorded a non-cash impairment charge to goodwill and intangible assets of EUR 192. The goodwill impairment charge of EUR 125 relates to the German operations and the intangible assets impairment charge of EUR 67 relates mainly to the write-down of the customer base intangible assets and the trade names acquired in the Tuja acquisition (for further details refer to Note 2 to the consolidated financial statements).

Operating income/(loss) for the first six months of 2009 was a loss of EUR 143 compared to income of EUR 509 in the same period of 2008. The operating income/(loss) margin was –2.0% for the first six months of 2009 and 5.0% for the first six months of 2008. Excluding impairment of goodwill and intangible assets of EUR 192 and restructuring costs of EUR 90 in the first six months of 2009 and the benefits of EUR 54 in the first six months of 2008 related to the modification to the calculation of French social charges, operating income/(loss) decreased by 70% in constant currency and the operating income/(loss) margin decreased by 250 bps to 1.9% in the first six months of 2009.

Interest expense was EUR 24 compared to EUR 30 in the first six months of 2008. **Other income/(expenses), net**, were income of EUR 4, a decrease of EUR 5 compared to the same period last year mainly due to lower interest income.

In the first six months of 2009, the Company recorded a tax benefit of EUR 39 compared to a tax expense of EUR 136 in the first six months of 2008. The effective **tax rate** in the first six months of 2009 was 24% compared to 28% in the same period of 2008. The effective tax rate in the first six months of 2009 was positively impacted by the change in the mix of earnings and the successful resolution of prior years' audits. This was substantially offset by the negative impact of the goodwill impairment charge which is not tax deductible.

Net income/(loss) attributable to Adecco shareholders was a loss of EUR 124 in the first six months of 2009 (H1 2008: income EUR 349). Basic earnings per share ("EPS") was EUR –0.71 (H1 2008: EUR 1.98). The first six months of 2009 were negatively impacted by the impairment of goodwill and intangible assets and by the restructuring charges, whereas the first six months of 2008 were positively impacted by the benefits related to the modification to the calculation of French social charges.

in millions, except share and per share information

1.2 Geographical performance

The geographical breakdown of revenues and operating income/(loss) is provided below:

in EUR	H1 2009	H1 2008	Variance % EUR	Variance % Constant Currency	H1 2009	H1 2008	Variance % EUR	Variance % Constant Currency
	Revenues				**Operating income/(loss)**[1]			
France[2]	2,280	3,393	(33)	(33)	(15)	181	(108)	(108)
USA & Canada[3]	1,127	1,380	(18)	(27)	61	60	3	(9)
Germany	492	792	(38)	(38)	3	81	(96)	(96)
Japan	750	710	6	(17)	56	52	7	(15)
UK & Ireland	444	748	(41)	(31)	(1)	26	(105)	(105)
Italy[2]	340	636	(47)	(47)	(6)	47	(113)	(113)
Benelux[2]	392	473	(17)	(17)	(7)	25	(130)	(130)
Nordics	294	507	(42)	(36)	(6)	25	(124)	(128)
Iberia[2]	317	549	(42)	(42)	(3)	35	(107)	(107)
Switzerland & Austria	191	273	(30)	(34)	5	20	(78)	(80)
Australia & New Zealand	134	210	(36)	(26)	1	5	(80)	(76)
Emerging Markets[3]	533	560	(5)	0	15	21	(30)	(27)
Total Operating Units					**103**	**578**	**(82)**	**(83)**
Corporate expenses					(28)	(47)		
Operating income/(loss) before amortisation and impairment of goodwill and intangible assets					**75**	**531**	**(86)**	**(86)**
Amortisation of intangible assets					(26)	(22)		
Impairment of goodwill and intangible assets					(192)			
Adecco Group	**7,294**	**10,231**	**(29)**	**(30)**	**(143)**	**509**	**(128)**	**(127)**

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

2 Restructuring expenses in 2009 of EUR 90, thereof France EUR 41, Italy EUR 19, Benelux EUR 10, Iberia EUR 10 and other countries EUR 10.

3 Puerto Rico previously reported under Emerging Markets is now reported together with USA & Canada. The 2008 information has been restated to conform to the current year presentation.

France

In France, revenues were down by 33%. In the first six months of 2009, France had an operating loss of EUR 15 compared to operating income of EUR 181 in the first six months of 2008. SG&A in the first six months of 2009 was impacted by restructuring expenses of EUR 41. Gross profit and SG&A in the first six months of 2008 were impacted by the modification to the calculation of French social charges. Excluding these impacts, the operating income in the first six months of 2009 was EUR 26 compared to the first six months of 2008 of EUR 127.

USA & Canada

In the USA & Canada, revenues decreased by 18% or 27% in constant currency compared to the first six months of 2008. Operating income in the first six months of 2009 was EUR 61, a decrease of 9% in constant currency. The operating income margin increased by 110 bps to 5.4% in the first six months of 2009 due to the positive contribution from the Human Capital Solutions business.

Germany

In Germany, revenues declined by 38% compared to the first six months of 2008. Operating income was EUR 3, a decline of 96%. The operating income margin declined to 0.6% from 10.2%, mainly due to a drop in the utilisation of the temporary associates and a negative operating leverage.

Japan

In Japan, revenues increased by 6% or decreased by 17% in constant currency compared to the first six months of 2008. Excellent cost management led to operating income of EUR 56 and an operating income margin increase of 10 bps to 7.5%.

UK & Ireland

In the first six months of 2009, revenues in the UK & Ireland decreased by 41% or 31% in constant currency. In the first six months of 2009, UK & Ireland had an operating loss of EUR 1 compared to an operating income of EUR 26 in the first six months of 2008.

1.3 Business line performance

The following table illustrates the breakdown of revenues and revenue development by business line:

in EUR	H1 2009	H1 2008	Variance % EUR	Variance % Constant Currency
Revenues[1]				
Office	1,772	2,255	(21)	(25)
Industrial	3,460	5,721	(40)	(40)
Total Office & Industrial	**5,232**	**7,976**	**(34)**	**(36)**
Information Technology	545	595	(8)	(8)
Engineering & Technical	318	418	(24)	(25)
Finance & Legal	179	242	(26)	(30)
Medical & Science	117	133	(12)	(11)
Sales, Marketing & Events	185	187	(1)	(9)
Human Capital Solutions	192	127	50	40
Total Professional Business Lines	**1,536**	**1,702**	**(10)**	**(12)**
Emerging Markets[2]	**526**	**553**	**(5)**	**0**
Adecco Group	**7,294**	**10,231**	**(29)**	**(30)**

1 Breakdown of revenues is based on dedicated branches. The 2009 information includes certain changes in the allocation of branches to business lines, most notably from Sales, Marketing & Events to Office. The 2008 information has been restated to conform to the current year presentation.

2 Emerging Markets excluding professional business lines.

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

Office & Industrial

The Company's Office and Industrial businesses which represented 71% of revenues declined by 34% or 36% in constant currency to EUR 5,232 compared to the first six months of 2008. In the Industrial business, revenues declined by 40%. In France, which comprises approximately 50% of the Industrial business, revenues decreased by 37%, Germany declined by 46%, Italy by 51% and USA & Canada by 38% in constant currency. In the Office business, revenues declined by 21% or 25% in constant currency. Japan declined by 17%, USA & Canada by 29% and UK & Ireland by 32%, all in constant currency. France declined by 29%. Together these countries generated more than 70% of the Office business revenues.

Information Technology

In Information Technology (IT), revenues decreased by 8% (also in constant currency) compared to the first six months of 2008. Revenues in the USA & Canada declined by 22% in constant currency, while revenues in UK & Ireland declined by 20% in constant currency. UK & Ireland and USA & Canada comprised approximately 55% of the IT business line's revenues. IT represented 8% of the Company's revenues in the first six months of 2009.

Engineering & Technical

Revenues in the Engineering & Technical (E&T) business decreased by 24% or 25% in constant currency in the first six months of 2009 compared to the same period in 2008. In the USA & Canada, revenues decreased by 24% in constant currency, while revenues in Germany and in France both declined by 17%. France combined with the USA & Canada and Germany comprised approximately 75% of Engineering & Technical's revenues. Engineering & Technical represented 4% of the Company's revenues in the first six months of 2009.

Finance & Legal

In Finance & Legal (F&L), revenues were down by 26% or 30% in constant currency compared to the first six months of 2008. The Finance & Legal businesses in the USA & Canada, the Nordics and Germany comprised approximately 70% of the business line's revenues. The F&L business line contributed 2% to the Company's revenues in the first six months of 2009.

Human Capital Solutions

In Human Capital Solutions (HCS), revenues increased by 50% or 40% in constant currency in the first six months of 2009 compared to the same period last year, mainly due to strong demand in the USA & Canada.

Sales, Marketing & Events/Medical & Science

In Sales, Marketing & Events (SM&E) and Medical & Science (M&S), revenues declined by 1% (9% in constant currency) and by 12% (11% in constant currency), respectively, in the first six months of 2009 compared to the first six months of 2008.

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

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

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

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

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

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

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

The Company generated EUR 282 of operating cash flows in the first six months of 2009, compared with EUR 238 in the same period of 2008. This increase was primarily attributable to lower working capital requirements, mainly due to declining revenues and an improved DSO, substantially offset by lower net income, which was impacted by the non-cash impairment charge to goodwill and intangible assets. In the first six months of 2009, DSO improved by 4 days to 54 days compared to the same period last year, mainly due to improvements in France, UK & Ireland, Iberia, and USA & Canada. In France the DSO was positively impacted by French law changes which requires all invoices to be paid within 60 days. Cash outflows from investing activities amounted to EUR 99 in the first six months of 2009, which compared to cash outflows of EUR 91 in the first six months of 2008. Cash outflows from investing activities in the first six months of 2009 included EUR 54 for capital expenditures. Cash inflows from financing activities totaled EUR 158 in the first six months of 2009, which compared to cash outflows of EUR 343 in the first six months of 2008. The cash inflows from financing activities in the first six months of 2009 included proceeds of EUR 496 from the issuance of the guaranteed Euro medium term notes, which was partly offset by the buyback of long-term debt of EUR 131 and the payment of dividends of EUR 173.

Net debt decreased by EUR 6 to EUR 611 at the end of June 2009 compared to December 2008.

4. Outlook

Although market conditions in the second quarter of 2009 continued to be demanding, the sharp acceleration of the revenue decline rates, witnessed in previous quarters, appears to have stabilised over the course of the second quarter and into July 2009 in most markets.

Management continues to focus its efforts on further structurally optimising the cost base while sticking to its value-based strategy. This approach, combined with our strong balance sheet, positions the Company well in the current environment and for the future.

Looking ahead, management anticipates no material pick-up of business activities, and has therefore initiated further restructuring measures.

Concretely, after the successful execution of the first social plan at Adecco in France and the additional measures announced in June to further optimise the structural cost base and to reduce headcount by approximately 350 employees (FTEs) at its subsidiary Adia, as well as additional measures taken in Iberia, the Company expects to incur approximately EUR 40 of restructuring costs in the second half of 2009 for various countries. With these measures, the Company will have significantly improved its cost base both structurally and in alignment with the demanding market conditions.

5. Forward-looking statements

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

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

Adecco Group – Consolidated balance sheets (unaudited)

in millions, except share and per share information

As of (in EUR)		**30.6.2009**	**31.12.2008**
Assets			
Current assets:			
• Cash and cash equivalents		922	574
• Short-term investments		1	7
• Trade accounts receivable, net		2,464	3,046
• Other current assets		349	389
Total current assets		**3,736**	**4,016**
Property, equipment, and leasehold improvements, net		249	236
Other assets		248	219
Intangible assets, net	Note 2	303	393
Goodwill	Note 2	2,586	2,666
Total assets		**7,122**	**7,530**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses	Note 3	2,631	3,053
• Short-term debt and current maturities of long-term debt	Note 4	25	56
Total current liabilities		**2,656**	**3,109**
Long-term debt, less current maturities	Note 4	1,509	1,142
Other liabilities	Note 3	439	481
Total liabilities		**4,604**	**4,732**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares		118	118
• Additional paid-in capital		2,118	2,140
• Treasury shares, at cost		(561)	(558)
• Retained earnings		1,097	1,394
• Accumulated other comprehensive income/(loss), net	Note 5	(255)	(301)
Total Adecco shareholders' equity		**2,517**	**2,793**
Noncontrolling interests		1	5
Total shareholders' equity		**2,518**	**2,798**
Total liabilities and shareholders' equity		**7,122**	**7,530**

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

Adecco Group – Consolidated statements of operations (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)		2009	2008
Revenues	Note 10	7,294	10,231
Direct costs of services		(5,968)	(8,319)
Gross profit		**1,326**	**1,912**
Selling, general and administrative expenses	Note 3	(1,251)	(1,381)
Amortisation of intangible assets		(26)	(22)
Impairment of goodwill and intangible assets	Note 2	(192)	
Operating income/(loss)	Note 10	**(143)**	**509**
Interest expense		(24)	(30)
Other income/(expenses), net		4	9
Income/(loss) before income taxes		**(163)**	**488**
Provision for income taxes	Note 9	39	(136)
Net income/(loss)		**(124)**	**352**
Net income attributable to noncontrolling interests			(3)
Net income/(loss) attributable to Adecco shareholders		**(124)**	**349**
Basic earnings per share		**(0.71)**	**1.98**
Basic weighted-average shares		174,103,338	176,473,705
Diluted earnings per share		**(0.71)**	**1.90**
Diluted weighted-average shares		174,103,338	186,004,588

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

Adecco Group – Consolidated statements of cash flows (unaudited)

in millions, except share and per share information

For the six months ended June 30 (in EUR)	**2009**	**2008**
Cash flows from operating activities		
Net income/(loss)	(124)	352
Adjustments to reconcile net income/(loss) to cash flows from operating activities:		
• Depreciation and amortisation	67	62
• Impairment of goodwill and intangible assets	192	
• Other charges	(27)	25
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	584	(105)
• Accounts payable and accrued expenses	(422)	(108)
• Other assets and liabilities	12	12
Cash flows from operating activities	**282**	**238**
Cash flows from/(used in) investing activities		
Capital expenditures, net of proceeds	(54)	(48)
Purchase of short-term investments		(32)
Proceeds from sale of short-term investments		27
Cash settlements on derivative instruments	(13)	(10)
Other acquisition and investing activities	(32)	(28)
Cash flows from/(used in) investing activities	**(99)**	**(91)**
Cash flows from/(used in) financing activities		
Net increase/(decrease) in short-term debt	(34)	418
Borrowings of long-term debt, net of issuance costs	496	
Repayment of long-term debt	(131)	(322)
Dividends paid to shareholders	(173)	(163)
Purchase of treasury shares	(3)	(269)
Other financing activities	3	(7)
Cash flows from/(used in) financing activities	**158**	**(343)**
Effect of exchange rate changes on cash	**7**	**(15)**
Net increase/(decrease) in cash and cash equivalents	**348**	**(211)**
Cash and cash equivalents:		
• Beginning of year	574	555
• End of period	922	344

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

Adecco Group – Consolidated statements of changes in shareholders' equity (unaudited)

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2008	**118**	**2,121**	**(279)**	**1,064**	**(151)**	**7**	**2,880**
Comprehensive income:							
Net income/(loss)				349		3	352
Other comprehensive income/(loss)							
• Currency translation adjustment, net of tax					(120)		(120)
• Pension related adjustments, net of tax					1		1
Total comprehensive income							**233**
Treasury shares transactions			(274)				(274)
Transactions with derivatives on Adecco S.A. shares		(2)					(2)
Impact of adoption of SFAS No. 158 measurement date provisions, net of tax				(1)			(1)
Cash dividends, CHF 1.50 per share				(163)			(163)
Purchase of noncontrolling interests						(5)	(5)
June 30, 2008	**118**	**2,119**	**(553)**	**1,249**	**(270)**	**5**	**2,668**

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Non-controlling interests	Total shareholders' equity
January 1, 2009	**118**	**2,140**	**(558)**	**1,394**	**(301)**	**5**	**2,798**
Comprehensive income:							
Net income/(loss)				(124)			(124)
Other comprehensive income/(loss)							
• Currency translation adjustment, net of tax					44		44
• Pension related adjustments, net of tax					2		2
Total comprehensive income							**(78)**
Tax impact of treasury shares valuation in Holding Company		(22)					(22)
Treasury shares transactions			(3)				(3)
Cash dividends, CHF 1.50 per share				(173)			(173)
Purchase of noncontrolling interests						(4)	(4)
June 30, 2009	**118**	**2,118**	**(561)**	**1,097**	**(255)**	**1**	**2,518**

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

Adecco Group – Notes to consolidated financial statements (unaudited)

in millions, except share and per share information

Note 1 • Summary of significant accounting policies

Basis of presentation and principles of consolidation

The consolidated half year financial statements include Adecco S.A., a Swiss corporation, its majority-owned subsidiaries and other affiliated entities (collectively, the "Company"). The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2008, and for the year then ended (except as noted below under "New accounting standards").

Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2008 have been condensed or omitted. As a result, the financial information to the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Financial Review, the Corporate Governance and the Remuneration Report for the fiscal year ended December 31, 2008.

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

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

Use of estimates

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

Social security charges in France

In April 2007, the Central Agency for Social Security Organisations in France issued a letter outlining a modification to the calculation of certain social security charges, with retroactive effect to January 1, 2006. This modification resulted in a reduction in payroll taxes to be remitted. On August 1, 2007, the French Parliament passed an amendment to the social security legislation, which became effective on October 1, 2007. This amendment eliminated the payroll tax benefits resulting from the modification made in April 2007.

In April 2008, the Company received additional information from the trade association, which was based on communications with the Central Agency for Social Security Organisations in France indicating that the modification discussed above was also applicable to 2005. Accordingly, the statement of operations for the six months ended June 30, 2008, included a positive effect to net income of EUR 36, including an increase of EUR 61 in gross profit and EUR 7 in SG&A. This change resulted in an increase to the basic and diluted earnings per share, net of tax, of EUR 0.20 and EUR 0.19, respectively, for the six months ended June 30, 2008.

New accounting standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities, expands the required disclosures about fair value measurement, and is applicable whenever other standards require assets or liabilities to be measured at fair value. However, it does not expand the use of fair value in any new circumstances. The Company adopted SFAS No. 157 for all financial assets and liabilities as well as for other assets and liabilities that are carried at fair value on a recurring basis on January 1, 2008, and for non-financial assets and liabilities on January 1, 2009. The adoption of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)") and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). The new standards require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value and require non-controlling interests to be reported as a component of equity. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. In April 2009, the FASB issued FASB Staff Position ("FSP") 141 (R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that arise from Contingencies" ("FSP 141(R)-1"), which amends and clarifies the initial and subsequent accounting and disclosures of contingencies in a business combination. The Company adopted SFAS No. 141(R) and FSP 141(R)-1 on January 1, 2009, and will apply them prospectively to business combinations completed after January 1, 2009. The Company adopted SFAS No. 160 effective January 1, 2009. Pursuant to the transition provisions, the presentation and disclosure requirements have been applied retrospectively for all periods presented.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires entities to provide greater transparency about the reason for entering into a derivative instrument, the accounting treatment of derivative instruments and the related hedged items under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), and the impact of derivative instruments and related hedged items on the Company's consolidated financial statements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on January 1, 2009. For further details on the required new disclosures see Note 7 to the consolidated financial statements.

In December 2008, the FASB issued FSP 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets", ("FSP 132(R)-1"). FSP 132(R)-1 is intended to improve disclosures about postretirement benefit plan assets and requires more information about how investment allocation decisions are made, or categories of plan assets, fair value assumptions and concentration of risks. The adoption of FSP 132(R)-1 is not expected to have a material impact on the Company's consolidated financial statements. The disclosures required by FSP 132(R)-1 will be included in the Company's December 31, 2009, financial statements.

Note 2 · Goodwill and intangible assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), goodwill and indefinite-lived intangible assets are tested for impairment annually or whenever events or circumstances indicate that an impairment may have occurred. In addition, definite-lived intangible assets are evaluated for potential impairment in accordance with SFAS No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets" ("SFAS No. 144").

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

The Company's indefinite-lived intangible assets, which mostly comprise trade names, are tested by comparing the fair value of the asset to the carrying value of the asset. The trade names' fair values are calculated using a relief from royalty valuation model which calculates the fair value of cost savings associated with owning rather than licensing the trade name, applying an assumed royalty rate within the discounted cash flow calculation. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income.

Definite-lived intangible assets are evaluated for impairment by first comparing the carrying amount of a definite-lived intangible asset with the expected undiscounted future cash flows from the operations to which the asset relates. The asset is regarded as not recoverable if the carrying amount exceeds the undiscounted future cash flows. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is calculated using a discounted cash flow model.

The Company performed its last annual goodwill and indefinite-lived intangible assets impairment test in the fourth quarter of 2008. As general economic conditions and the short-term outlook of our business worsened in the second quarter of 2009 compared to the first quarter of 2009 and the end of 2008, the Company performed an interim impairment test based on management's revised five year projections for sales and earnings.

Step one of the goodwill impairment test which comprised discounted cash flow valuations for all of the Company's reporting units led to the conclusion that there was no indication for impairment of goodwill except for the reporting unit Germany. In determining the fair value of the reporting units, the Company uses a detailed five year plan for revenues and earnings and for the long-term value a long-term growth rate of 2.0% - 2.5%. In the resulting step two of the goodwill impairment test it was determined that the carrying value of Germany's goodwill exceeded the implied goodwill. Consequently, the Company recognised a non-cash impairment charge related to goodwill of EUR 125 in the second quarter of 2009. The impairment charge can be attributed to worsening economic conditions and the short-term outlook for the Company business in Germany, which negatively impacted the fair value determination of the unit for goodwill impairment purposes.

In addition, the Company concluded that the fair value of certain trade names was lower than their carrying value. Consequently, a non-cash impairment charge of indefinite-lived intangible assets of EUR 11 was recorded in the second quarter of 2009. The impairment charge consists of the write-down of trade names in Germany which was a result of the decrease in projected sales for the short-term and in Iberia where the usage of one of the brands will be discontinued.

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

The Company engaged an external party to conduct the identification and valuation of intangible assets for the reporting unit Germany as of June 30, 2009. This valuation was used in step two of the goodwill impairment test and the intangible assets impairment test.

Note 3 • Restructuring

In October 2008 and June 2009, the Company announced it had launched restructuring plans in France to structurally improve the French business and to align the cost base to current market developments. In addition, the Company has initiated restructuring plans in Italy, Benelux, Iberia and other countries. The Company accounts for restructuring expenses, including one-time termination benefits in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146") and for post-employment benefits for employee reductions related to restructuring activities under SFAS No. 112, "Employers' Accounting for Post-Employment Benefits" ("SFAS No. 112").

Total restructuring costs incurred by the Company in the first six months of 2009 and in the fourth quarter of 2008 amounted to EUR 90 and EUR 40, respectively. Restructuring expenses are recorded as SG&A and represent mainly costs related to headcount reductions and branch optimisation in France, Italy, Benelux, Iberia and other countries. Restructuring expenses recorded in the first six months of 2008 were not significant.

As of June 30, 2009 restructuring liabilities of EUR 69 and EUR 8 were recorded in accounts payable and accrued expenses and in other liabilities, respectively. The changes in restructuring liabilities for the period ended June 30, 2009 were as follows:

in EUR	**Restructuring liabilities**
December 31, 2008	**29**
Restructuring expenses	90
Cash payments	(39)
Other	(3)
June 30, 2009	**77**

The Company expects that the majority of the restructuring liabilities of EUR 77 as of June 30, 2009, will be paid in 2009 and the first quarter of 2010.

Note 4 • Financing arrangements

The Company's long-term and short-term debt as of June 30, 2009, amounted to EUR 1,534 compared to EUR 1,198 as of December 31, 2008. As of June 30, 2009, and December 31, 2008, short-term debt (bank overdrafts and borrowings outstanding under lines of credit) amounted to EUR 25 and EUR 55, respectively.

Long-term debt

in EUR	**Principal at maturity**	**Maturity**	**Fixed interest rate**	**30.6.2009**	**31.12.2008**
Guaranteed Euro medium term notes	EUR 500	2014	7.625%	497	
Guaranteed zero-coupon convertible bond	CHF 807	2013		498	622
Committed multicurrency revolving credit facility	EUR 550	2013			
Fixed rate guaranteed notes	EUR 500	2013	4.5%	514	506
Other					15
				1,509	**1,143**
Less current maturities					(1)
Long-term debt, less current maturities				**1,509**	**1,142**

Guaranteed Euro medium term notes

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

Guaranteed zero-coupon convertible bond

On August 26, 2003, Adecco Financial Services (Bermuda) Ltd., a wholly-owned subsidiary of the Company, issued CHF 900 unsubordinated bonds guaranteed by and convertible into shares of Adecco S.A., due August 26, 2013. The bonds are structured as zero-coupon, 10-year premium redemption convertible bonds with a yield to maturity of 1.5% per annum.

At any time from October 6, 2003 to August 12, 2013, at the option of the bondholder, the bonds are convertible into shares of Adecco S.A. at a conversion price of CHF 94.50 per share. If all bonds were converted, Adecco S.A. would issue 9,523,810 additional shares. In November 2007, the terms of the bond were amended. The amendment allows the Company to deliver treasury shares held at the time of conversion instead of issuing shares of Adecco S.A. out of the approved conditional capital. Nevertheless, Adecco S.A. has to retain enough conditional capital to issue the full amount of 9,523,810 shares if required upon conversion.

Bondholders may put the bonds on August 26, 2010, at the accreted principal amount. The Company may call the bonds at any time after the end of year seven (August 26, 2010) at the accreted principal amount or at any time after a substantial majority of the bonds has been redeemed, converted, or repurchased. The current share price of Adecco S.A. suggests that the bondholders will exercise the put option. If not converted, the Company will pay a redemption price of up to 116.05% of the principal amount of the bonds.

In the first six months of 2009, the Company repurchased bonds with a nominal amount of EUR 108 representing 1,719,577 shares. In the last quarter of 2008, the Company repurchased bonds with a nominal amount of EUR 27, representing 449,735 shares. The gain on the repurchase for the first six months of 2009 and the last quarter of 2008 amounted to EUR 3 in each period and is recorded in other income/(expenses), net. The bonds are kept in treasury.

Note 5 • Shareholders' equity

The Company had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options as of June 30, 2009 and December 31, 2008. In addition, as of June 30, 2009 and December 31, 2008, the Company was authorised by its shareholders to issue up to 15,400,000 shares of conditional capital in connection with the issuance of financial instruments, principally convertible bonds. 9,523,810 shares have been reserved for issuance upon conversion of the outstanding guaranteed zero-coupon convertible bond. The remaining 5,876,190 shares represent conditional capital that was originally authorised without time limitation in connection with the issuance of a convertible bond in 1999, which was repaid in 2004 without conversion. This conditional capital remains available for issuance upon conversion of any financial instruments the Company may issue in the future.

During the six months ended June 30, 2009, no stock options were exercised by employees or members of the Board of Directors.

The Annual General Meeting of Shareholders of Adecco S.A. was held on May 13, 2009. The shareholders approved a dividend of CHF 1.50 per common share in respect of the fiscal year 2008. The dividend to shareholders of EUR 173 was paid in the second quarter of 2009.

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

in EUR	**30.6.2009**	**31.12.2008**
Accumulated other comprehensive income/(loss), net		
Currency translation adjustment	(246)	(290)
Unrealised gain on cash flow hedging activities	1	1
Pension related adjustments	(10)	(12)
Accumulated other comprehensive income/(loss), net	**(255)**	**(301)**

Note 6 • Employee benefit plans

For the six months ended June 30, 2009 and June 30, 2008, estimated net pension expense for the defined benefit plans was as follows:

	Swiss plan		**Non-Swiss plans**	
in EUR	**2009**	**2008**	**2009**	**2008**
Components of pension expense				
Service cost	3	4	1	1
Interest cost	1	1	2	2
Expected return on plan assets	(2)	(2)	(2)	(2)
Amortisation of net (gain)/loss	2		1	
Pension expense, net	**4**	**3**	**2**	**1**

Note 7 • Financial instruments

In accordance with SFAS No. 133, all derivative instruments are initially recorded at cost as either other current assets, other assets, accounts payable and accrued expenses, or other liabilities in the accompanying consolidated balance sheets and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative instruments. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. 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 affects earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. 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. For derivative instruments that are not designated or that do not qualify as hedges under SFAS No. 133, the changes in the fair value of the derivative instruments are recognised in other income/(expenses), net, within the consolidated statements of operations.

Risk and use of derivative instruments
The Company conducts business in various countries and funds its subsidiaries in various currencies, and is therefore exposed to the effects of changes in foreign currency exchange rates, including the US dollar, the British pound, the Japanese yen, and the Euro against the Swiss franc. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments. The Company has also issued bonds and long-term notes with fixed interest rates and the Company manages exposure to fixed and floating interest rates through the use of derivative instruments.

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

Fair value of derivative instruments
The following table shows the carrying value and the fair value of derivative instruments as of June 30, 2009:

in EUR	Notional amount	Balance sheet location	Fair value
Derivative assets			
Derivatives designated as hedging instruments under SFAS No. 133			
• Interest rate swaps	375	Other assets	15
Derivatives not designated as hedging instruments under SFAS No. 133			
• Foreign currency contracts	352	Other current assets	8
Derivative liabilities			
Derivatives designated as hedging instruments under SFAS No. 133			
• Interest rate swaps	50	Other liabilities	
Derivatives not designated as hedging instruments under SFAS No. 133			
• Foreign currency contracts	530	Accounts payable and accrued expenses	14
Total net derivatives			**9**

The fair value of foreign currency contracts and interest rate swaps is calculated by using the present value of future cash flows based on quoted market information. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap ("CDS") applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of June 30, 2009 the total impact of non-performance risk and liquidity risk was less than EUR 1.

Fair value hedges

EUR 350 of interest rate swaps that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the 4.5% EUR 500 fixed rate guaranteed notes due 2013 issued by Adecco International Financial Services B.V. The outstanding contracts have an original contract period of five to seven years and expire in 2013.

EUR 75 of interest rate swaps that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the 7.625% EUR 500 guaranteed Euro medium term notes due 2014 issued by Adecco International Financial Services B.V. The outstanding contracts have an original contract period of five years and expire in 2014.

The loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting gain on the related interest rate swaps, both reported as interest expense, for the six months ended June 30, 2009 were as follows:

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

In addition, 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 2009 and first six months of 2008.

Cash flow hedges

During the year 2007, the Company acquired cash settled call options on Adecco S.A. shares. The options were designated as cash flow hedges of the senior management share-linked bonus plan for the years 2007 to 2009, to minimise volatility of future cash flows arising from fluctuations in the share price of Adecco S.A. The majority of the contracts expired in 2008.

As of June 30, 2009, and December 31, 2008, no significant balances were included in accumulated other comprehensive income/(loss), net, in connection with cash flow hedges. No significant gains or losses were recorded in the first six months of 2009 and the first six months of 2008, respectively, due to ineffectiveness in cash flow hedge relationships. In the first six months of 2009 and the first six months of 2008, a loss of less than EUR 1 and EUR 4, respectively, due to the change of time value of the options, was excluded from the assessment of hedge effectiveness of the share-linked bonus plan cash flow hedge, and was recognised in SG&A in the accompanying consolidated statements of operations. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

Net investment hedges

As of June 30, 2009, and December 31, 2008, the net loss relating to net investment hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 59 and EUR 60, respectively. No reclassifications of losses reported in accumulated other comprehensive income/(loss), net, into earnings are expected within the next 12 months.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under SFAS No. 133. These are mainly forward foreign currency contracts used to hedge the net exposure of short-term subsidiary funding advanced in the local operations' functional currency. These contracts are entered into in accordance with the written treasury policies and procedures and represent economic hedges. In connection with these activities, the Company recorded a loss below EUR 1 for the six months ended June 30, 2009, as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings
Foreign currency contracts	Other income/ (expenses), net	(6)	Loans and receivables to/ from subsidiaries	Other income/ (expenses), net	6

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.

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 June 30, 2009, and December 31, 2008, consistent with the fair value hierarchy provisions of SFAS No. 157:

in EUR	Level 1	Level 2	Level 3	Total
June 30, 2009				
Assets				
Available-for-sale securities	1			1
Derivative assets		23		23
Other current assets		1		1
Liabilities				
Derivative liabilities		14		14
December 31, 2008				
Assets				
Available-for-sale securities	7			7
Derivative assets		23		23
Other current assets		3		3
Liabilities				
Derivative liabilities		28		28

Note 9 • Income taxes

The Company operates in various countries with different tax laws and rates; therefore, the effective tax rate may vary from year to year due to changes in the mix of taxable income among countries and special transactions. Income taxes for the first half of 2009 were provided at a rate of 24%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2008, the tax rate was 28%. The effective tax rate in the first six months of 2009 was positively impacted by the change in the mix of earnings and the successful resolution of prior years' audits. This was substantially offset by the negative impact of the goodwill impairment charge which is not tax deductible.

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.

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

As of June 30, 2009, the total amount of unrecognised tax benefits recorded in accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, and Related Implementation Issues" ("FIN 48"), decreased by EUR 51 due to the settlement of tax audits and the application of the statute of limitations in several jurisdictions, partly offset by current year additions.

Note 10 • Segment reporting

The Company is organised in a geographical structure (which corresponds to the primary segments). The heads of the main geographies directly manage the office and industrial business lines as well as the professional business lines. The classification into business lines is determined by the largest business line revenue share generated in a specific branch.

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

in EUR	France	USA & Canada[1]	Germany	Japan	UK & Ireland	Italy	Benelux	Other[1]	Corporate	Total
Six months ended June 30, 2009										
Revenues	2,280	1,127	492	750	444	340	392	1,469		7,294
Depreciation	(8)	(7)	(4)	(2)	(4)	(3)	(3)	(7)	(3)	(41)
Operating income/(loss) before amortisation and impairment of goodwill and intangible assets	(15)	61	3	56	(1)	(6)	(7)	12	(28)	75
Amortisation of intangible assets										(26)
Impairment of goodwill and intangible assets										(192)
Operating income/(loss)										(143)
Interest expense, and other income/(expenses), net										(20)
Provision for income taxes										39
Net income/(loss)										(124)
Segment assets	1,507	1,116	1,712	233	310	167	291	990	796	7,122

in EUR	France	USA & Canada[1]	Germany	Japan	UK & Ireland	Italy	Benelux	Other[1]	Corporate	Total
Six months ended June 30, 2008										
Revenues	3,393	1,380	792	710	748	636	473	2,099		10,231
Depreciation	(8)	(8)	(4)	(2)	(5)	(1)	(2)	(6)	(4)	(40)
Operating income/(loss) before amortisation and impairment of goodwill and intangible assets	181	60	81	52	26	47	25	106	(47)	531
Amortisation of intangible assets										(22)
Impairment of goodwill and intangible assets										
Operating income/(loss)										509
Interest expense, and other income/(expenses), net										(21)
Provision for income taxes										(136)
Net income/(loss)										352
Segment assets	2,074	1,126	2,137	234	498	251	221	1,270	181	7,992

1 Puerto Rico previously reported under Other (Emerging Markets) is now reported together with USA & Canada. The 2008 information has been restated to conform to the current year presentation.

Note 11 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 826 including those letters of credit issued under the multicurrency revolving credit facility (EUR 86). 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 US. 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.

French antitrust procedure

Two of the Company's French subsidiaries, Adecco France (formerly Adecco Travail Temporaire) and Adia SASU (formerly Adia SAS) and two of its competitors were investigated by the French competition authority concerning alleged anticompetitive practices in France. The investigation started in November 2004 when certain documents were collected by the authorities. In November 2007, Adecco France and Adia France received a Statement of Objections by the "Conseil de la Concurrence", the French Competition Council, alleging infringements of competition rules, i.e. exchange of commercially sensitive information with competitors in 2003 and 2004 and in one case concerning Adecco France and Adia France, involvement in a concerted practice in response to a tender offer of a French company. On February 1, 2008, the Company entered into an agreement ("La Transaction") with the "Rapporteur Général" meaning that the Company will not oppose the factual statements listed in the Statement of Objections thus receiving a certain rebate on the potential fine in exchange of certain commitments made in the agreement. On February 11, 2008, the Company submitted their comprehensive answer to the Statement of Objections. On June 3, 2008 and August 1, 2008, a further written exchange between the competition authorities and the Company took place. A general hearing before the members of the Competition Council occurred in Paris on October 1, 2008.

On February 2, 2009, the Company received the decision of the Competition Council. The decision imposed a fine of EUR 34, which the Company provided for as of December 2008. The Company decided to appeal against certain aspects of the decision relating to the calculation of the fine before the Paris Court of Appeal, since it considers the level of the fine too high. The declarations of appeal followed by the legal briefs for Adecco France and Adia France were filed with the Paris Court of Appeal on March 4, 2009 and on April 3, 2009. However, it is difficult to estimate whether the appeal will finally end in a reduction of the fine. A hearing before the Paris Court of Appeal has been set for the last quarter of 2009.

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