Annual Report 2012

Adecco Group

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Contents

The Adecco Group

We inspire individuals and organisations to work more effectively and efficiently, and create greater choice in the domain of work, for the benefit of all concerned. As the world's leading provider of HR solutions – a business that has a positive impact on millions of people every day – we are conscious of our global role.

32,000~
FULL-TIME EQUIVALENT EMPLOYEES [1]

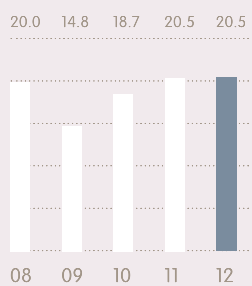
700,000~
ASSOCIATES ON ASSIGNMENT DAILY [2]

100,000+
CLIENTS EVERY DAY [2]

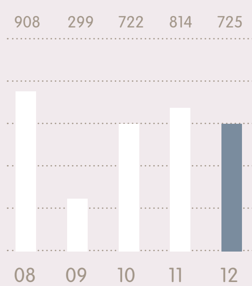
5,400~
BRANCHES IN OVER 60 COUNTRIES & TERRITORIES [1]

Key figures

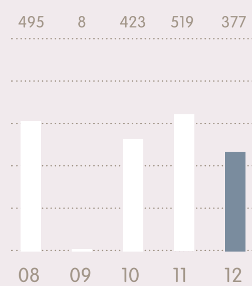
Revenues
in EUR billions



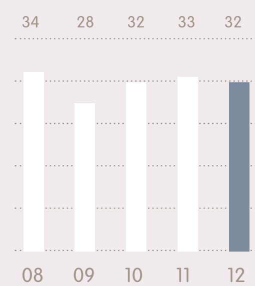
EBITA
in EUR millions

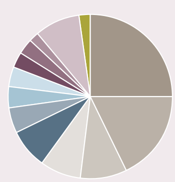


Net income attributable to Adecco shareholders
in EUR millions



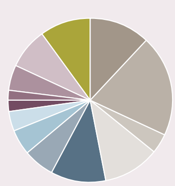
FTE employees (year end)
in thousands





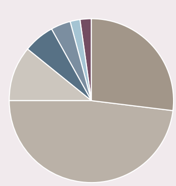
2012 Revenue split by segment *in %*

- France 25%
- North America 18%
- UK & Ireland 9%
- Germany & Austria 8%
- Japan 8%
- Italy 5%
- Benelux 4%
- Nordics 4%
- Iberia 3%
- Australia & New Zealand 3%
- Switzerland 2%
- Emerging Markets 9%
- LHH 2%



2012 EBITA split by segment *in %*
(operating units)

- France 12%
- North America 20%
- UK & Ireland 4%
- Germany & Austria 11%
- Japan 11%
- Italy 6%
- Benelux 5%
- Nordics 4%
- Iberia 2%
- Australia & New Zealand 2%
- Switzerland 5%
- Emerging Markets 8%
- LHH 10%



2012 Revenue split by business line *in %*

- Office 27%
- Industrial 48%
- Information Technology 11%
- Engineering & Technical 6%
- Finance & Legal 4%
- Medical & Science 2%
- Solutions 2%

1 Year end 2012.

2 Average 2012.

Share price performance comparison 2012
in CHF

Share information

Tickers

SWX Europe	ADEN
Bloomberg	ADEN VX
Reuters	ADEN.VX
ISIN	CH0012138605

Share price *in CHF*

• Year end	48.04
• Average	44.31
• High/low	49.18/36.33

Historical data

for the fiscal years in EUR millions (except shares)	2012	2011	2010	2009	2008
Statement of operations data					
Revenues	20,536	20,545	18,656	14,797	19,965
Gross profit	3,674	3,566	3,329	2,649	3,673
EBITA [4]	725	814	722	299	908
Net income attributable to Adecco shareholders	377	519	423	8	495
Other financial indicators					
Cash flow from operating activities	579	524	455	477	1,054
Free cash flow [5]	491	415	350	385	948
Net debt [6]	972	892	751	110	617
Key ratios (as % of revenues)					
Gross margin	17.9%	17.4%	17.8%	17.9%	18.4%
SG&A ratio [7]	14.4%	13.4%	14.0%	15.9%	13.8%
EBITA margin	3.5%	4.0%	3.9%	2.0%	4.5%
Per share figures					
Basic EPS in EUR	2.00	2.72	2.20	0.04	2.82
Diluted EPS in EUR	2.00	2.72	2.17	0.04	2.71
Cash dividend in CHF	1.80 [8]	1.80	1.10	0.75	1.50
Number of shares					
Basic weighted-average shares	188,393,511	190,671,723	192,113,079	177,606,816	175,414,832
Diluted weighted-average shares	188,555,377	190,805,080	195,596,325	177,613,991	184,859,650
Outstanding (year end)	184,609,768	170,448,401	174,702,026	174,079,431	174,188,402

3 SMI and Basket of competitors (Manpower, Randstad and Kelly Services market capitalisation weighted in CHF) relative to Adecco's share price: 1.1.2012 = CHF 39.35.

4 EBITA is a non-U.S. GAAP measure and is defined herein as operating income before amortisation of intangible assets and impairment of goodwill and intangible assets.

5 Free cash flow is a non-U.S. GAAP measure and is defined herein as cash flow from operating activities minus capital expenditures.

6 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.

7 Excluding amortisation of intangible assets and impairment of goodwill and intangible assets.

8 Proposed by the Board of Directors.

Dear shareholder,

2012 was marked by economic uncertainty, above all in Western markets. As the months progressed, political unrest, the prolonged sovereign debt crisis and rising unemployment led to volatile equity, bond and currency markets. Rising to this challenging environment, every day around 32,000 employees worldwide worked with close to 700,000 associates on assignment at more than 100,000 clients. By providing flexible HR solutions to the changing needs of our clients, we increase their competitiveness. Helping people to 'better work, better life' is our common purpose and the way in which we contribute to society every day.

2012 was another year of progress for the Adecco Group. Adecco remained strategically attuned to this economic reality and maintained the agility needed to deal with changing market conditions. We reinforced our HR industry leadership and maintained leading profitability despite the decline in revenues of 4% organically to EUR 20.5 billion.

Geographical developments, from a revenue perspective, were diverse in 2012. Europe was challenging, in particular the Southern European countries as well as France, while organic revenue growth in North America picked up throughout the year and the Emerging Markets continued to deliver solid growth. At the same time, organic growth in Professional Staffing held up well, while General Staffing moved into negative territory. We maintained our disciplined pricing approach and achieved solid improvements in the gross margin to 17.9%, also helped by the business mix. Thanks to our price discipline and strong cost control, we were able to maintain solid profitability, despite declining revenues. Excluding restructuring and integration costs, EBITA amounted to EUR 813 million and the margin was 4.0%. Net income attributable to Adecco shareholders was EUR 377 million. We generated strong operating cash flow of EUR 579 million in 2012, up 10% versus 2011. Adecco has a very strong balance sheet.

At the Annual General Meeting, the Board of Directors will propose to its shareholders a dividend of CHF 1.80 per share for 2012. The proposal foresees a stable dividend, equal to the dividend paid for 2011 and is underpinned by our overall strong financial position, healthy cash flow generation and cash-rich balance sheet. A dividend of CHF 1.80 per share would be equal to a pay-out ratio of 49%, fully within the current pay-out range of between 40% and 50% of adjusted net earnings. In addition to the current pay-out range, the Company is committed to pay at least a stable dividend compared to the previous year, even if the pay-out range is temporarily exceeded, barring seriously adverse economic conditions.

In June 2012, Adecco launched a share buyback programme of up to EUR 400 million with the aim of subsequently cancelling the shares and reducing share capital. As of December 31, 2012, the Company had acquired 3.8 million shares under this programme for EUR 145 million.

Our solid performance reflects considerable progress in the execution of our mid-term strategic priorities. The Group's retention rate continued to be a strong focus. We expanded the Adecco Academy training initiative and also launched it in the USA, Australia and Asia in line with our commitment to invest in our own people and culture, as well as to continually enhance service quality. Our goal for IT is to standardise, centralise and simplify our processes from client or candidate-related interactions all the way through to back-office optimisation. A fully centralised IT organisation began operation at the end of 2012. In Professional Staffing we have further improved our revenue mix. In General Staffing, we continued to better segment our client base and tailor our offering to best capture market opportunities. As companies increasingly looked for solutions to outsource a part or the entire management of their contingent workforce, we further developed our leading MSP/RPO offerings under the new global brand Pontoon and won a number of significant global MSP contracts. With

Pontoon and our VMS platform Beeline, we are uniquely positioned to offer both the leading platform and services in the industry. We further invested in Emerging Markets to capture growth potential. Our joint venture in China, FESCO Adecco, has over 135,000 associates on assignment every day.

2012 was about margin protection, given the challenging economic developments. Once the recovery starts, we will be able to deliver strong operating leverage. Our improved business mix, our price discipline and cost optimisation will then pay off in higher EBITA margins.

As we strive to develop our business and generate shareholder value, Adecco people are motivated by our wider role of making 'better work, better life' a reality. It is very rewarding to make a real impact on individuals' careers and lives, as well as on our clients' competitiveness and success. What we do makes a positive difference to the issues of unemployment, economic and social inclusion and a diverse workforce.

These issues are central to societal well-being and stability. The International Labour Organization forecasts that jobless numbers around the world will rise by 5.1 million in 2013 to 202 million people, topping the 2009 record of 198 million. Global youth unemployment is estimated at over 75 million. This is against a backdrop of an ageing population in developed markets, growing talent shortages and a ticking pension time-bomb, with a growing dependant population.

We bring an agenda for action addressing these issues. We integrate people at risk of exclusion: 37% of all temporary workers are officially registered as unemployed before working with an agency. Temporary jobs are growing faster than permanent jobs. They represent the opportunity to earn an income, gain experience and can be a stepping-stone to permanent work.

We have an agenda for action for companies whether they are in need of scarce talent, or a flexible or more diverse workforce to improve their productivity and competitiveness. We not only reduce frictional unemployment, we help create jobs that otherwise would not be created, as companies value a flexible contingent workforce to cope with rapid changes in demand.

We partner Governments around the world in programmes to integrate groups at risk of exclusion because of their age, race or disability. Our range of capabilities was showcased when we recruited 8,300 people, in permanent and temporary positions, to help deliver memorable Olympic and Paralympic Games in London – regarded as the most diverse Games ever staged.

Looking ahead, Adecco is solidly positioned for the future. With our leading global position and diverse service offering, we will take advantage of growth opportunities. At the same time, we continue to focus fully on disciplined pricing and cost control to optimise profitability and value creation.

Adecco remains in good shape to succeed whatever the operating environment. We are very focused on reaching our mid-term EBITA margin target of above 5.5%. Based on the good progress on our six strategic priorities and more favourable economic conditions expected towards the end of 2013, we are convinced we will achieve this target in 2015. Above all, our motivating force will be 'better work, better life': It's what we do. It's what we know best. It's what we care about. It's what we are all about.

We sincerely thank all of our stakeholders, above all our clients, associates, employees and shareholders for their support and confidence in the Adecco Group.

Rolf Dörig
Chairman of the Board of Directors

Patrick De Maeseneire

Patrick De Maeseneire
Chief Executive Officer

Leading HR solutions on a global scale

Interview with Patrick De Maeseneire, CEO

2012 was characterised by tough conditions in most of Europe, while the US economy held up fairly well. How would you describe the past year for Adecco? Indeed, we had diverse revenue trends across the markets and segments where we operate. Business conditions in most European countries were difficult especially and unsurprisingly in Southern Europe, but also in France. Germany, UK & Ireland and the Nordics held up reasonably well, partly offsetting the decline in the troubled European countries. Trends in North America were positive with organic revenue growth accelerating throughout 2012 and also the Emerging Markets continued to grow at a double-digit rate. Globally this resulted in a revenue decline of 4% organically. To avoid equivalent drops in profitability, we continued to focus on price discipline and kept a tight lid on costs. Thanks to these efforts, we achieved an EBITA margin before restructuring and integration costs of 4.0%, only 10 bps lower than in 2011.

France is still by far your largest market. Developments there don't look promising. How do you see the situation for 2013? France will continue to be a difficult market in 2013. Our timing to combine the Adecco and Adia branded businesses under the single brand of Adecco was absolutely the right one. Since August 2012, after concluding the mandatory legal talks with the French Works Councils, we have been able to kick off the voluntary social plan. By year end 2012 more than 500 FTE employees had left the Company and the number of branches was around 10% lower year-on-year. Given the economic developments in France, it was absolutely key to address the cost base early. In 2013 we will undertake further actions to align the cost base to revenue developments.

You were behind the market in the US IT Professional Staffing segment for several quarters. Evidently you closed the gap to the market during 2012. Can we expect continued positive developments? We closed the gap to the market as of the third quarter 2012 and revenue growth continued to accelerate into the fourth quarter. At the same time, we have worked on broadening our client base to reduce dependency on certain sectors or client segments. It was important for us to maintain price discipline, knowing that it would take us longer to close the gap to the market. We continue to see good demand in the IT Professional Staffing segment in early 2013 and hope to further reap the benefits of our investments in the months to come.

Looking at your strategic priorities, do you have a particular focus on any of them this year? All six strategic priorities – Retention, IT, Professional Staffing & Services, Segmentation, Business Process Outsourcing solutions as well as the Emerging Markets – continue to be in focus and I am pleased with the progress to date. However, we are dedicating particular efforts to two priorities: the centralisation of our IT organisation and an improved segmentation of our client base. We are tailoring our offerings for each segment and improving our delivery models. Both of these important initiatives, if successfully executed, will further enhance our leading position in the HR services industry.

With the acquisition of DBM you strengthened your countercyclical Lee Hecht Harrison (LHH) business. Did this pay off in recession-struck Europe? With the acquisition of DBM we took the global lead also in the outplacement or Career Transition business. In 2012, LHH showed solid growth and strong profitability. We clearly exceeded our initial target, achieving synergies of over EUR 20 million and during 2012 successfully completed the integration of DBM. We see the benefit of the much improved geographic coverage through the DBM acquisition. During 2012, we gained new clients and contracts due to our enlarged global footprint. In Europe, with the exception of France, we have recently seen a pick-up in our business, while growth in North America is levelling off.

What are your expectations for 2013 and how are you positioning Adecco? 2013 looks to be another challenging year for Europe. On the other hand, we are cautiously optimistic for the US economy, although the fiscal uncertainty is probably holding back investment decisions to a certain degree in the short term. As to positioning Adecco in the current environment, given the nature of our business, we operate with limited visibility. Having different scenarios and relevant action plans is therefore the best way to deal with the different economic developments. In any case, we will continue to apply very strict price discipline and we will further optimise our cost base. At the same time, we will continue to take advantage of more favourable business conditions in North America and also in the Emerging Markets, where we still have ample room for growth.

Under these circumstances, is it realistic to assume that you will achieve an EBITA margin of above 5.5% in 2015? We have made substantial progress on what we can influence to achieve an EBITA margin of above 5.5%. We have improved our revenue mix towards more Professional Staffing. An improved business mix, coupled with price discipline, also led to a 50 bps higher gross margin at 17.9% in 2012 compared with 17.4% in 2011. Organically the gross margin increased by 30 bps in 2012. And we continued to excel at cost control. What we need to achieve our target is topline growth, to take advantage of the operating leverage that we have built into our business. Based on the good progress on our six strategic priorities and more favourable economic conditions expected towards the end of 2013, we are convinced we will achieve this target in 2015.

Some countries in Europe introduced new labour laws during 2012. In addition, the EU member countries were required to implement the EU Agency Work Directive as of the end of 2011. How is this impacting your business? There are still some EU member countries which have not yet lifted restrictions for temporary labour as mandated by the EU Agency Work Directive. In Germany, for instance, our industry is still waiting for the ban of temporary labour to be lifted in the construction sector. The equal pay principle has been implemented in most countries. In Germany, new collective labour agreements (CLAs) were negotiated with the Unions during 2012, providing a step-up in pay depending on the length of the assignment. Maintaining flexibility in the workforce remains at the core of our clients' needs. Elsewhere we have seen moves to relax labour laws, such as in Spain and Italy. In general, we welcome less rigid labour laws as this increases the competitiveness of countries, which in turn should lead to better economic growth – and to grow our business we need GDP growth.

Last year you launched a share buyback, increased the dividend pay-out ratio, enhanced the dividend policy and announced that no acquisitions are planned in the next 18–24 months. Are these all signs that your industry has reached maturity and future growth is indeed limited? No, not at all. The structural growth potential for our industry is unchanged. During the past years, we have made substantial acquisitions, and today we have a very good portfolio of businesses. Not only are we the leader in General Staffing, but we have also taken the lead in Professional Staffing and in the Career Transition business. That is why our focus is now fully on organic growth. Since we generate strong operating cash flow and in the absence of acquisitions, we opt to return cash to shareholders. We launched the share buyback, financed with long-term Swiss Franc debt at very favourable conditions, with the aim of maintaining a healthy net debt level on our balance sheet.

One of the major problems in the job market is the mismatch between demand and supply of work. This mismatch is based on skills as well as geography. How can Adecco help individuals and economies to overcome this problem? I think our main advantage is our global reach. We operate in over 60 countries and territories worldwide and have deep knowledge of labour markets. While there are barriers to mobility, such as language or cultural differences, economically difficult conditions and resulting high (youth) unemployment will further increase mobility of talent. While numbers are still low, trends are emerging in worker migration across Europe. During 2012, for example, we recruited engineers in Spain to work in Germany. In Canada, an international candidate mobility programme successfully addresses the skills gap and has been in place there for several years.

Our industry increases the efficiency of labour markets, raises the competitiveness of companies and creates jobs that would not otherwise exist.

The HR industry

Lifelong employment for everyone, adapted to personal, family, generational and geographical needs and abilities is the aim of our industry. HR services companies help people find a permanent, fixed-term or temporary job as well as enhancing their employability through career counselling, education and continuous training.

In 2012, the global staffing market grew approximately 1%[1, 2] to EUR 277 billion[1]. This compares with an estimated increase of 8%[2] to EUR 260 billion in 2011[1]. Professional Staffing accounted for around 33%[1] of the market in 2012 and increased 6%[1, 2] year-on-year, while General Staffing declined by 1%[1, 2] compared to 2011 and represented 67%[1] of the global market in 2012.

The USA represented the single largest market for HR services measured by revenues in 2012, with a share of approximately 32%[1], followed by Japan with 17%[1] and the UK with 11%[1]. Europe as a whole represented 36%[1] of the global staffing market in 2012, whereas the Emerging Markets accounted for 9%[1]. The year 2012 was marked by a clear divergence in how the major markets developed. The European markets were in decline or showed only limited growth. Among the major European countries, France and Germany declined while the UK grew moderately. Outside Europe, Japan declined, while the USA grew. France and Germany were impacted by the European recession, while the UK was helped by the positive impact from the Summer Olympic Games. An uncertain regulatory environment in Japan continued to hold back demand for temporary staffing services while in the USA, moderate economic growth and the need for flexibility drove demand for HR solutions and services.

Competitive landscape The global HR services market is highly fragmented and the competitive landscape varies considerably from one country to another. There were 140,000 registered private employment agencies worldwide in 2011 according to Ciett[3]. Among the biggest markets measured by revenues, the USA, Japan and the UK show a high degree of fragmentation, with Japan showing the largest number of staffing companies, followed by the USA and the UK. The French market, by contrast, is highly concentrated. The top three listed staffing companies dominate the French market with a combined market share of around 70%[1], measured by revenues. Looking at the global picture, the three largest listed staffing companies represent around 20%[1] of global turnover. The Adecco Group is the leading HR services company worldwide and has leading positions in Europe, North America, Asia/Pacific and Latin America. Consolidation in the staffing industry is on-going, particularly in fragmented markets and it is prompted by several factors. For one, consolidation is driven by the need of companies to better utilise economies of scale. Additionally, the trend of large multinational companies to outsource part or all of their HR processes continues and will lead to further consolidation in the industry. Partnering with a Managed Services Provider (MSP), to manage the company's contingent workforce spend, typically results in higher volumes for fewer suppliers. Moreover, consolidation is also driven by General Staffing companies seeking a stronger foothold in Professional Staffing in order to diversify their product offerings and to enhance their position in this more profitable and faster-growing segment.

Our role

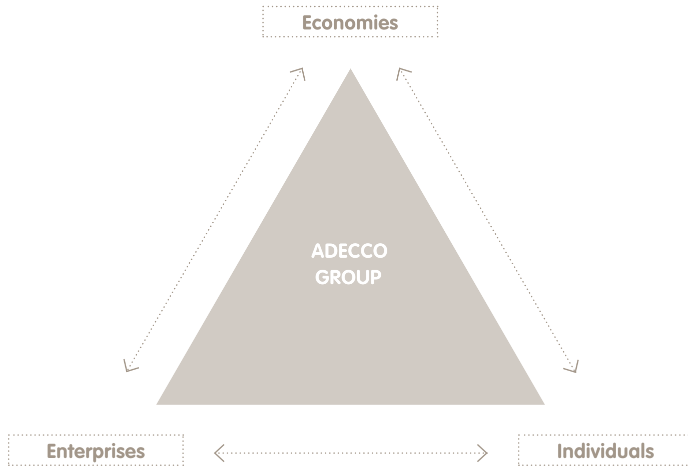
Adecco is the world's leading provider of HR solutions. We are conscious of our role towards all stakeholders in the markets where we operate. We maintain a constant dialogue with clients and workers as well as with societal, governmental and business stakeholders to create more and better work opportunities for individuals worldwide. Economies, enterprises and individuals all have to face seasonal, cyclical and structural market changes and as a labour market intermediary, we help them to adapt and react to these challenges.

1 Adecco estimate. 2011 estimates revised.

2 In constant currency.

3 Ciett = International Confederation of Private Employment Agencies.

How HR services benefit labour markets



Economies As an HR services company we turn available work into jobs and thereby support economic growth. Labour market transparency is increased through our deep understanding of companies' needs and people's work or education aspirations to provide the needed match between supply and demand. We increase labour market participation by enhancing employability of workers, creating new work solutions and fostering geographic and occupational mobility. As a result, our industry provides economies with the needed flexibility for increased competitiveness and sustained economic growth.

Individuals For individuals, we offer legally recognised and regulated work opportunities, facilitate on-the-job training and enhance occupational and geographic mobility. HR services companies create stepping-stone opportunities also for under-represented groups to gain work experience and to secure complementary incomes (e.g. students, part-timers, retirees). By offering flexible work solutions we increase work options and enable workers to improve their work-life balance. Individuals benefit from a greater choice of work and from improved employability.

Enterprises The Adecco Group offers enterprises all its HR services both locally and globally. We provide companies with flexible HR solutions to help them weather peaks and troughs in demand, thereby maintaining and increasing their competitiveness. Our expertise in workforce management and the rapidity of execution makes us a valuable partner for enterprises to manage their complex workforce planning as well as risks. We also provide access to talents or improve skills of workers. Through improved flexibility, companies are in a position to protect core activities and cope with unpredictable changes in the market environment.

'Adapting to Change'

As established by Eurociett's 'Adapting to Change' study, HR services companies are an engine of job creation and deliver jobs ahead of the classic job creation curve. In fact, temporary jobs are created even at very low levels of GDP growth, when no permanent jobs are generated. The study highlights that temporary work does not substitute permanent work, as 74% of enterprises would not consider hiring permanently as an alternative to taking on temporary workers. 62% of responding businesses would not have created jobs if they had no access to HR services companies, such as the Adecco Group.

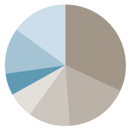
HR services companies are a stepping-stone for the unemployed and young people to (re-)enter the job market. According to the study, 35% of temporary workers in Europe are below the age of 25 and use temporary work as their first opportunity to gain work experience. On average 37% of all temporary workers are officially registered as unemployed before finding a temporary job. Twelve months after having finished work on a temporary basis, only 15% of temporary workers are registered as unemployed again. Temporary work is recognised as an effective channel to find work with the possibility of eventually gaining a permanent position. 'Adapting to Change' underlines that services offered by our industry contribute to reducing undeclared work. There is an inverse correlation between the level of illegal economic activity and the level of temporary work penetration: countries with a high penetration rate of temporary workers have lower levels of undeclared economic activity.

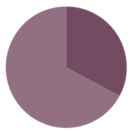
'The role of temporary agency work and labour market transitions in Europe'

Throughout 2012, the Adecco Group was involved in a report, finalised in December 2012 by Eurociett and UNI Europa (the social partners for the temporary agency work sector). The report demonstrated the positive role temporary agency work plays in facilitating transitions in the labour market. Data was analysed for six major EU markets (Germany, Spain, Italy, the Netherlands, France and Belgium). The key findings by transition type were:

- From unemployment to work. The study confirms the bridging function of temporary agency work from unemployment to work

2012 global HR services market by revenues[1] *in %*





Adecco's market position in 2012

	% of Adecco revenues	Market share[1] in %	Market position[1]
France	25	28	1
North America	18	4	3
UK & Ireland	9	6	1
Germany & Austria	8	9	2
Japan	8	3	4
Italy	5	17	1
Benelux	4	6	3
Nordics	4	13	2
Iberia	3	24	2
Australia & New Zealand	3	4	4
Switzerland	2	15	1
Emerging Markets	9	6	1
LHH	2	15	1

- From temporary to permanent jobs. Temporary agency work facilitates transitions from temporary to permanent jobs
- From education to work for young people. Temporary agency work is an important entry channel into the labour market

Temporary agency work is a valuable entry point into the labour market for groups such as older workers, persons with an education and/or qualification profile that does not match labour market needs or groups such as ethnic minorities that risk discrimination.

'The Way to Work'
In May 2012, at the World Employment Conference in London, Ciett, the International Confederation of Private Employment Agencies, of which the Adecco Group is the largest member, announced a new vision for the industry 'The Way to Work: a Job for Every Person, a Person for Every Job'. The private employment services industry made a five-year global commitment to:

- Support 280 million people in their job life
- Help 75 million young people enter the labour market
- Up-skill 65 million people, giving them more work choices
- Create 18 million more jobs
- Serve 13 million companies with the right talents to succeed

The industry aims to achieve these goals through:

- Directing the way to work (being a labour market entry point, encouraging transitions, enhancing people's skills)
- Offering a new way to work (providing labour contractual diversity to meet work-life balance and individual constraints)
- Giving people a great way to work (delivering decent and quality jobs)
- Helping people to organise the way to work (matching skills and jobs better and faster)

4 International Labour Organization.

Regulatory environment

To maximise the benefits of HR services in delivering greater labour market efficiency, relevant regulation should balance flexibility with security, for both workers and businesses. Adecco is supportive of international instruments that provide guidelines to properly regulate private employment services, such as the ILO[4] Convention at global and the EU Agency Work Directive at European level.

ILO Convention 181 Along with its accompanying Recommendation n°188, ILO Convention 181 encourages the effective operation of services provided by private employment agencies, and especially temporary work agencies. The convention was adopted in 1997 and recognises the role HR services companies play in a well-functioning labour market and emphasises the protection of the workers using their services. As ILO Convention 181 only provides the framework within which HR services companies should operate, member countries implement it in accordance with their national labour legislation. To date, ILO Convention 181 has been ratified by 26 countries. Adecco supports efforts at national level with national legislators to ratify ILO Convention 181.

EU Agency Work Directive The EU member countries were required to implement the EU Agency Work Directive in their own legislation by the end of 2011. Key elements of the Directive are the recognition of agency work, the removal of unjustified restrictions against the use of temporary work and the establishment of the equal treatment principle (unless national collective labour agreements with social partners set exceptions to the principle). Since the end of the transposition deadline, the industry has faced a heterogeneous implementation of the Directive across the EU. Adecco, Eurociett and the national associations continue to advocate for the correct implementation of the Directive, focusing on the appropriate regulation and lifting of unjustified restrictions. Adecco is actively involved in the Directive's review process, which is being conducted by the European Commission and which will lead to a report by December 2013.

Across the globe, Adecco encounters considerably different regulatory schemes and drives the efforts of national associations to improve labour market efficiency. In most markets where Adecco operates, company representatives are engaged in the dialogue with national authorities to foster appropriate labour market regulation and define the proper regulatory environment for the provision of private employment services. In 2012, Adecco was a founding member of the Staffing Federation in Ukraine. In regions where the staffing industry is less mature, much emphasis is placed on setting up the proper regulation of the industry, in order to differentiate properly regulated agencies from rogue providers.

Key growth drivers for our industry

Penetration rates, the number of full-time equivalent associates (temporary workers) divided by the total active working population, differ significantly across the markets. The key growth drivers for penetration rates and, hence, our industry are appropriate regulation, the business environment, production shifts, changing labour needs, the increasing skills gap, mobility and the trend towards flexibility in general. In 2012, the UK enjoyed one of the highest penetration rates in temporary staffing, around 3.7%[1], but significantly below the prior peak penetration rate of 4.7%[5] in 2007. In Germany the penetration rate of 2.0%[1] was in line with the peak achieved during 2011. In the USA, the world's largest staffing market, the penetration rate stood at 1.9%[6], close to the peak of 2.0%[6] achieved in 2000. Japan at 1.4%[1] and France at 2.0%[1] are still below historic peaks. In the BRIC and other developing countries, penetration rates continued to increase but remained below 1%[1].

Business environment Growth in our industry, in particular for temporary staffing services, correlates with GDP development. In 2012, persistent high unemployment, related to uncertainty on the development of the economy, highlighted the importance of a flexible workforce in adapting to fluctuations in demand. Companies increasingly scale their fixed workforce in line with troughs in demand and use a flexible workforce for any additional need. Many industries and regions still offer immense untapped potential for HR services, and the structural growth drivers for the industry remain fully intact.

Production shifts change labour needs Moving production to low-cost countries will continue to impact the geographical mix of our industry. As companies move East, the need for HR services and local staffing know-how in the Emerging Markets is increasing. Given the low salary levels, today the Emerging Markets still represent a minor portion of the total revenue potential for the staffing industry. However, in terms of volumes, this region already represents a substantial share.

5 Source: Ciett.

6 Source: Bureau of Labor Statistics (BLS).

7 Source: United States Census Bureau.

The increasing skills gap As the unemployment rate among workers with lower qualifications increases in the developing countries, a high number of specialised roles remain vacant. The staffing industry can help to narrow this gap by accessing additional demographic groups (e.g. students, part-timers, retirees), by taking full advantage of its global presence and pool of candidates and by facilitating mobility.

Greater mobility Meanwhile, individuals are more willing to move across borders to pursue work opportunities and enhance their careers. This fits well with the trend in many companies to look for greater flexibility and better job-profile matches, in order to overcome the growing talent shortages in many industries. It exemplifies that our business is not just about recruitment, but also about training and providing life-long learning to increase employability.

Trend towards more flexibility Greater flexibility in dealing with peaks and troughs in demand is achieved by companies employing temporary workers as a part of their workforce. Current production trends, oriented towards made-to-order, are structurally increasing the need of companies for flexible staffing levels. The inventory-to-sales ratio continued to decrease as witnessed in all businesses in the USA, where the ratio declined by 16%[7] between 1992 and 2012. This trend is expected to continue and should further drive demand for our services.

Appropriate regulation The regulatory framework of labour markets in individual countries has a significant influence on the size of HR services markets and growth rates. The appropriate regulation of the HR industry, and in particular the temporary labour market, balances flexibility with security for companies and workers alike, and drives the efficiency of labour markets. Each market requires appropriate regulation to increase transparency and allow HR services companies to play their role in creating jobs and increasing labour market participation.

Outlook for the staffing market

Measures adopted in the developed markets to control public spending and reduce debt burdens, although beneficial in the medium term, will continue to constrain GDP growth in 2013. Employers will continue to be hesitant to hire permanent labour, given no or limited economic growth in many markets around the globe. Additional labour needs will mainly continue to be covered with temporary staff. At the same time, the structural trend towards more flexibility in manufacturing and the move of production to the Emerging Markets will continue. The HR industry will help employers face these changes and will also reduce the skills gap, as the willingness of individuals to move across borders increases. In 2013, HR services and solutions will continue to prove their value while the structural growth drivers for the industry remain fully intact.

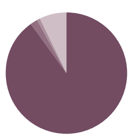
As the world leader, Adecco offers the full range of HR solutions which are tailored to meet the evolving needs of clients and associates around the globe.

Our solutions and services

Adecco Group's business can be viewed from different perspectives: by service, by business line and by segment. In this chapter we describe our services and solutions together with the business lines and brands through which we deliver these services. A review of our 2012 performance by segment can be found in the chapter 'Our results' on page 20.

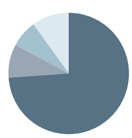
2012 by service *in %*

Revenues



- Temporary 90%
- Permanent 2%
- Career Transition 1%
- Outsourcing, talent development services and others 7%

Gross profit



- Temporary 74%
- Permanent 9%
- Career Transition 7%
- Outsourcing, talent development services and others 10%

Our services

Temporary staffing In 2012, 90% of revenues and 74% of gross profit of the Adecco Group stemmed from temporary staffing services, which include general and professional skill sets, as described in the section 'Our business lines and brands' on page 13. Companies increasingly use temporary staffing services to quickly adapt to seasonal and cyclical fluctuations as well as structural changes in the economy.

Employers can manage the market dynamics by adding either flexible resources through hiring temporary workers, or fixed resources through adding permanent employees. But enterprises are similarly challenged to decide how to fill the gap when employees retire, change jobs or are temporarily absent (e.g. maternity leave, sickness or unpaid leave). For individuals seeking employment, we provide work opportunities and experience that increase their employability.

We handle all of the logistics of the world of work. We make contact with candidates both through on-line channels and through our branch network. We conduct interviews and match the client's requirements with the candidate's skills and needs to ensure a perfect match. Adecco performs all administrative tasks, like contract handling and payrolling. We always strive to find consecutive assignments for our associates to ensure they are continuously employed.

Permanent staffing Permanent placement services accounted for 2% of revenues and 9% of gross profit of the Adecco Group in 2012. When employers are confident on the economic development and on their need to fill certain key positions, they hire staff on a permanent basis. We have access to a wide range of top talents, including the hard-to-reach professionals who are not actively looking for a job. We search for candidates, screen the CVs, conduct interviews and assessments. We are committed to finding the right people for the client's business and will only propose candidates who have passed our in-depth screening process to ensure a perfect fit. We support our associates in ensuring that they reach their career goals, guiding them in selecting the right role for their skills and aspirations.

Adecco Group HR solutions and services

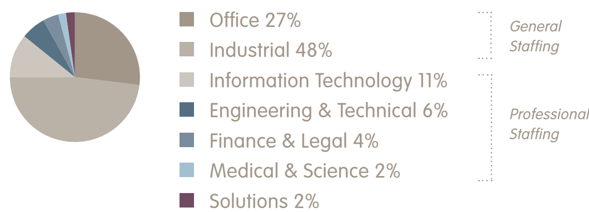
TEMPORARY AND PERMANENT STAFFING SERVICES		HR PROCESS MANAGEMENT SOLUTIONS	
General Staffing	Professional Staffing	Business Process Outsourcing Solutions	Career Transition & Talent Development Services
· Office · Industrial	· Information Technology · Engineering & Technical · Finance & Legal · Medical & Science	· Managed Service Programmes (MSP) · Recruitment Process Outsourcing (RPO) · Vendor Management System (VMS)	· Outplacement · Leadership Development · Career Development · Change Management Solutions · Training · Consulting

Career Transition services (outplacement) Revenues generated from Career Transition services represented 1% of Adecco's total revenues and 7% of gross profit in 2012. We assist clients in the effort to reorganise their workforce, due to mergers and acquisitions or when pressured to downsize as a result of reduced business activity. During the transition phase we support affected employees with training and facilitate their move to the next step in their career. We have the capabilities and expertise to manage an entire process, be it for a few people or thousands. We ensure that affected employees are engaged in transition activities and that retained employees remain productive, committed and focused on their work. It often happens that some areas of an organisation are downsizing while others are expanding and recruiting. We reduce transition and recruitment costs by redeploying employees affected by a down-size to areas in need of talent.

Outsourcing, talent development services and others 7% of revenues and 10% of gross profit of the Adecco Group in 2012 stemmed from outsourcing, talent development and other services. Outsourcing includes clients transferring processes and capabilities to the Adecco Group through Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and a Vendor Management System (VMS). These Business Process Outsourcing (BPO) solutions are described in the section 'Solutions' on page 15. Talent development services include change management solutions, career and leadership development programmes. We assist our clients in maintaining productivity through changes, engaging and retaining talent and developing leaders at all levels.

Our business lines and brands

2012 Revenue split by business line *in %*



General Staffing
In 2012, General Staffing made up 75% of the Adecco Group's revenues. We offer tailored solutions to retail and large clients with the aim of building longer-lasting relationships with both associates and clients. Given the relatively lower-margin nature of the business, an efficient delivery model for us is key to optimising our own costs and being competitive. General Staffing includes the two business lines Office and Industrial, as described below.

Office Office represented 27% of revenues of the Adecco Group in 2012. We are specialised in the temporary and permanent placement of administrative and clerical staff.
In order to provide the right combination of personnel and technical skills, we mainly focus on the business areas Administrative/Clerical, Assistance, Customer Service, Human Resources, Import/Export, Project Management, Purchasing, Secretarial/Personal Assistant and Sales, Marketing & Events. Main brands in this segment include Adecco Office and Office Angels.

Industrial The Industry segment accounted for 48% of Adecco's revenues in 2012. We serve our clients in the temporary and permanent placement of staff mainly in sectors such as Automotive, Manufacturing and Heavy Industry, Construction, Hospitality, Transportation and Logistics. Main brands include Adecco, Adecco Industrial and Tuja.

Professional Staffing
Professional Staffing accounted for 23% of Adecco's total revenues in 2012. With the 'experts talk to experts' approach we have a high-end specialist point of contact for our clients and associates alike. We establish relationships with line managers at enterprises to better understand the skills sets of candidates needed. This ensures successful matching of candidates' profiles with clients' needs for positions requiring higher qualifications. In turn, expert points of contact enable us to offer high-level assignments for candidates and to attract talented, qualified and sought-after individuals. Professional Staffing includes the business lines Information Technology, Engineering & Technical, Finance & Legal and Medical & Science as described below.

Information Technology The Information Technology segment represented 11% of the Group's revenues in 2012. At Adecco, our Information Technology experts partner with clients to integrate, structure and streamline their IT services and activities. Among others, we provide temporary assignments and permanent positions for IT Developers, Programmers, Consultants, Project Managers, Systems Engineers or Analysts and IT Support for any industry. Main brands include Modis and Computer People.

Engineering & Technical In 2012, we generated 6% of the Group's revenues in Engineering & Technical. In this field our associates take on assignments and projects on a temporary or permanent basis for key industries such as Electronics, Automotive and Transportation, Energy, Oil & Gas, Utilities, Medical Products, Aerospace, Chemicals and Raw Materials. Main brands include Adecco Engineering & Technical, Entegee and euro engineering.

Finance & Legal 4% of revenues of the Adecco Group in 2012 stemmed from the Finance & Legal business line. In a rapidly changing world, new standards, systems and regulatory requirements are emerging all the time. Finance & Legal specialises in the temporary and permanent placement of talented accounting, finance and legal professionals who work in sectors including Accounting, Finance, Banking, Legal, Construction, Property, HR, Architecture, Management and Marketing & Communications. Main brands include Badenoch & Clark and Accounting Principals.

Medical & Science The Medical & Science segment represented 2% of Adecco's revenues in 2012. We recruit and place doctors, nurses, therapists, pharmacists and other allied healthcare professionals on a permanent or temporary basis in the field of Clinical Research, Regulatory Affairs, Pharmacy, Medical Writing, Laboratory Research Science and Sales & Products Support. Our main brands include Soliant and Adecco Medical.

Solutions
Solutions accounted for 2% of revenues of the Adecco Group in 2012 including revenues generated with Business Process Outsourcing, Career Transition and Talent Development solutions as described below.

Business Process Outsourcing solutions
Managed Service Programmes (MSP) Clients increasingly ask Adecco to manage all or parts of their contingent workforce. There are clear advantages in outsourcing the management of contingent labour to us: one single point of contact, speed, enhanced recruitment process and transparency. We can manage the contingent workforce solutions, programme management, reporting and tracking, supplier selection and management, order distribution and even consolidated billing. Our global brand name is Pontoon, which we launched in mid-2012.

Our **Recruitment Process Outsourcing (RPO)** solution is suited to companies that want to outsource their recruitment process for permanent employees. The entire process includes the search for candidates, CV screening, interviews, candidate assessment, recruitment administration, on-boarding and offer management. We can take care of the whole or part of the process or act as a partner for all the permanent recruitment needs. We reduce costs and complexity for our clients and ensure that they get the right people, with the right skills at the right time. These solutions are also offered under the Pontoon brand.

Clients can also keep the management of their contingent workforce in-house by using our market-leading **Vendor Management System (VMS)** branded Beeline. This web-based tool is used to manage vendors and to track every step in the sequence. Our powerful, fully automated solution provides robust workforce analytics capabilities, as well as score carding to help improve the quality of candidates and overall vendor performance. The Beeline software interfaces seamlessly with common office and enterprise ERP solutions and is known throughout the industry for its leading functionality and ease of use.

Career Transition and Talent Development services In our Lee Hecht Harrison (LHH) branded business, we focus on delivering Career Transition (outplacement), leadership development, career development and change management solutions for organisations committed to developing the best talent and becoming employers of choice. We are the world's leading Career Transition and Talent Development services provider.

As the global leader in HR solutions, we at the Adecco Group offer the full range of HR services. We have the capability to serve individuals and enterprises with all these services, locally and globally. This makes us unique.

Our strategy

The strategy of the Adecco Group is to be alongside each phase in the life cycle of our associates and clients. As the world's leading provider of HR solutions, in over 60 countries and territories, we offer all HR services to over 100,000[1] clients and every day we place close to 700,000[1] associates at work.

Candidates & Associates We support job seekers from their very first career steps: giving them an opportunity to start to build up valuable skills and to gain the work experience required by the job market. We help people identify roles that will allow them to re-enter the working world and provide them with the training to do so. A temporary job can often lead to permanent employment. Adecco offers talent development services, including training, coaching and counselling, to enable all our associates to reach their professional goals and potential. Our Career Transition services help individuals move into new roles in cases of redundancy, by preparing and guiding them during the phase of career change. They are assisted with the preparation of their CV, in job market orientation, in setting up interviews and during the final placement. We aim to accompany our associates throughout every phase in the worker life cycle.

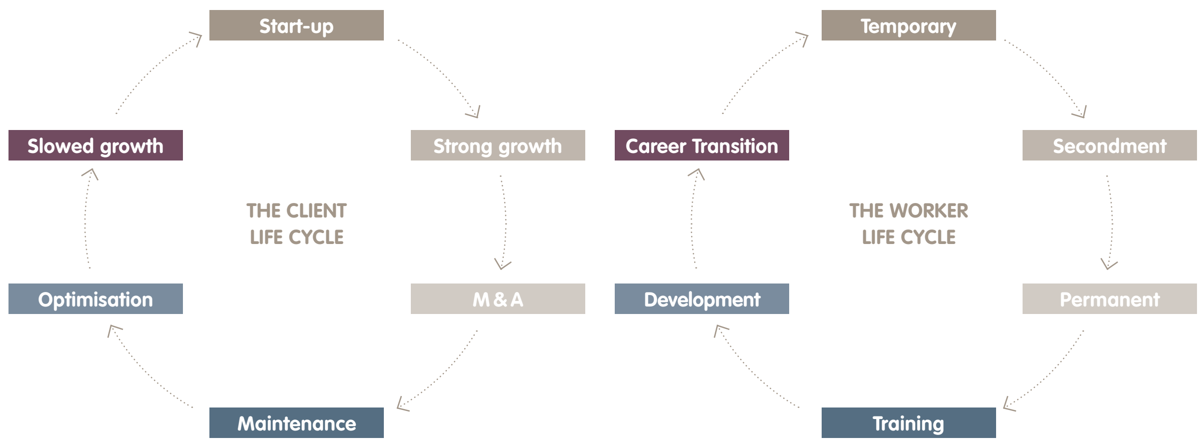
Clients When a great idea is ready to be turned into a business, we support our clients through the start-up and growth phases. We find the right people, with the right skill sets, and help in developing individuals' potential, to contribute to the company's success. Growth and expansion can also mean mergers and acquisitions, human resources need to be carefully managed and maintained, and changes may need to be made to the organisation: Adecco has the services and skills to support clients through all of these phases and more. Once the client's company structure matures, we help to manage the attrition of people or to optimise business processes through outsourcing solutions. Should circumstances require a client to downsize operations, we help by deploying staff to increase business efficiency and effectiveness. Whatever the phase in the client life cycle, Adecco strives to provide an HR solution.

1 Average 2012.

How we monitor our operations Top management carries out frequent operational and financial reviews with the country and regional heads of Adecco's markets and business segments to ensure that the Group's strategy remains on track and is embedded in the local operations. While we selectively invest in high-growth segments and markets, we continue to practice stringent cost management to ensure a sustainable improvement in profitability. In addition, the application of the 'Economic Value Added' (EVA) concept continues to be a core pillar of our day-to-day operations and strategy, ensuring discipline with respect to client contract pricing, cost containment and evaluating business opportunities.

The 'Economic Value Added' (EVA) concept To ensure alignment of the Adecco Group's overall strategy throughout the decentralised organisation, firm central control and effective management tools are required. The EVA concept not only helps us to ensure that the interests of our shareholders are met, it also makes sure that our daily decision-making processes are geared to value generation. The Adecco Group's value-based management approach has long moved beyond profitability based on pure accounting criteria as a measure of value creation. We also take capital intensity into consideration and application of the EVA concept enables us to maximise shareholder returns. EVA is deeply embedded in our daily operations, fostering consistent and dependable pricing policies, ensuring the use of the most efficient delivery channel and serving as a basis for performance-related incentives.

Alongside the life cycle of our clients, candidates and associates



Where we apply 'Economic Value Added' We apply the EVA concept in the following areas: incentive plans, contract pricing and acquisitions.

- **Incentive Plans:** Performance-related pay is calculated on an EVA basis and applied at almost all levels and regions of the organisation. At branch level, we apply a simplified version of the concept, while the remuneration of senior management is measured using the most detailed form of the calculation, covering all elements of the concept, including goodwill and other intangible assets.
- **Contract pricing:** We use EVA to measure the value generation of new and existing clients. First and foremost, this approach ensures that the pricing of our client contracts is consistent and dependable, giving us a clearer picture of the cost structure and capital needs of our business relationship with individual clients.
- **Acquisitions:** We apply the EVA concept in order to evaluate the attractiveness of potential acquisitions. As goodwill and other intangible assets are a substantial part of the invested capital which directly affect EVA and subsequently the incentive pay of senior management, the concept helps us to avoid overpaying.

How we calculate 'Economic Value Added' EVA is a measure of a company's financial performance based on residual income. According to this concept, value is only created if EBITA after the deduction of taxes is greater than the minimal required rate of return on the invested capital, equal to the Company's weighted average cost of capital (WACC). The calculation is based on the Adecco Group's net operating profit after taxes (NOPAT). Invested capital is defined as total assets, excluding cash and including gross acquired goodwill and other gross acquired intangibles since the introduction of the EVA concept, while deducting non-interest-bearing liabilities. We apply a 10% cost of capital across all our entities, while the actual WACC in the reporting period was below 10%.

Put simply, the concept allows us to find the right balance between revenue growth, market share, pricing and cost structure and invested capital. It enhances our ability to make the right choices with respect to client relationships, acquisitions, strategies, incentive schemes and targets.

Adecco EVA

=

NOPAT

minus

Invested capital x **WACC (10%)**

Our above 5.5% EBITA margin target

We aim to reach an EBITA margin of above 5.5% in 2015 – a new peak for Adecco. The target was initially set at the beginning of 2010, after having increased the share of the higher-margin Professional Staffing business to above 20% of our total revenues. In 2012, the EBITA margin before restructuring and integration costs was 4.0%, down 10 bps when compared with the EBITA margin, on the same basis, for 2011. After two years of double-digit organic revenue growth, the positive trend halted in 2012 as a consequence of the recession in Europe. We managed, however, to substantially improve our gross margin, driven by price discipline and a better business and country mix. Combined with strong control of our cost base, the result was a limited decline in our EBITA margin before restructuring and integration costs. We are using the challenging economic period to extract the full potential of our organisation. We will refrain from acquisitions and focus on organic growth and initiatives directed at further increasing the efficiency of Adecco. Once the economies of our major markets start to expand, we will be optimally positioned to deliver strong operating leverage. From today's perspective,

How we reach our target

Strategic priorities	Our target	Enablers
· Retention · IT · Professional Staffing & Services · Segmentation · Business Process Outsourcing Solutions · Emerging Markets	EBITA MARGIN > 5.5%	· Topline Growth · Pricing Discipline · Business Mix · Cost Control

based on more favourable economic conditions expected towards the end of 2013, we are convinced we will achieve our EBITA margin target of above 5.5% in 2015.

Strategic mid-term priorities

The strategic focus of Adecco Group's management is on Retention, Information Technology (IT), Professional Staffing & Services, Segmentation, Business Process Outsourcing Solutions and the Emerging Markets.

- **Retention:** Retaining our own employees is essential to building successful long-term relationships with both clients and associates. A better, longer-lasting relationship with our clients and associates protects our business and is a competitive advantage both from a revenue and also from a cost perspective. The regularly conducted Great Place to Work® survey on the job satisfaction of our own employees gives insight into how we can offer and enhance an attractive working environment.
- **Information Technology:** An important strategic priority for the Adecco Group is the better use of IT to maximise business opportunities and to improve efficiency. A major milestone in 2012 was the organisational change from decentralised management to a centralised, global IT organisation and decision-making process. The aim is to optimise our IT processes through further consolidation of data centres and to standardise systems by key focus areas that are flexible, scalable and can be integrated. Additionally, we invest in our web presence to remain at the forefront of the emergence of new delivery models. The investments in IT are aimed at enhancing our cost leadership position but also at maximising our revenue-generation opportunities.
- **Professional Staffing & Services:** Already today, Adecco is the global leader in Professional Staffing worldwide. However, it remains an essential part of the Group's strategy to increase the share of revenues generated from Professional Staffing. This segment, with higher growth and margin potential, accounts for approximately 33%[2] of the global staffing market. Demand for higher-margin Professional Staffing, where penetration rates are still significantly lower than in the General Staffing segment, will be driven by scarcity of talent and higher wage growth for qualified personnel. Today, after the acquisition of DBM in the summer of 2011, we are also the global leader in the Lee Hecht Harrison (LHH) branded Career Transition (outplacement) and Talent Development business. Our much improved geographic reach means that we can better serve and attract global customers. The counter-cyclical nature of the Career Transition (outplacement) business is a good hedge during economically difficult times, as this business peaks during recessions. At the same time, the larger scale and a more flexible approach to cost management enable LHH to achieve double-digit margins throughout the cycle.
- **Segmentation:** Optimising the segmentation of our client base allows us to capture additional market and margin opportunities as we target to increase business with small and medium-sized clients. In 2013 we will continue to roll out specific operating models for different types of clients into further countries, following the successful implementation in a few pilot markets.
- **Business Process Outsourcing solutions:** As the world's leading provider of HR solutions, Adecco considers the continuing trend towards Business Process Outsourcing (BPO) solutions, including Managed Service Programmes (MSP), Recruitment Process Outsourcing (RPO) and Vendor Management Systems (VMS) a major opportunity to differentiate its service offering. Large multinational clients increasingly seek to outsource their HR processes and with a global footprint and extensive know-how of local labour markets, Adecco is ideally positioned to take advantage of this trend. Our comprehensive solutions offering is unique and a key competitive advantage.

2 Adecco estimate.

- **Emerging Markets:** The Emerging Markets offer immense untapped growth potential for the staffing industry. Penetration rates of temporary staffing services are still at very low levels. The highly dynamic economic activity, the shift of production and growing investments in the Emerging Markets by multinational corporations are the main growth drivers for our business in these markets, which remain a strategic focus for us.

How we are organised

The set-up of our organisation is a key success factor for our business. We are organised in a geographical structure plus the global business Lee Hecht Harrison (LHH):

- France
- North America
- UK & Ireland
- Germany & Austria
- Japan
- Italy
- Benelux
- Nordics
- Iberia
- Australia & New Zealand
- Switzerland
- Emerging Markets
- Lee Hecht Harrison (LHH)

Our staffing business is a local business since HR markets are local markets. Every country has its own characteristics in terms of client needs, client structure, demographics, culture and regulations. The heads of each country or region have operational responsibility for both the General and the Professional Staffing business lines. We are convinced that, for the staffing business, decentralisation is the right way to manage a global staffing organisation and to promote local entrepreneurship. On the other hand, our Career Transition and Talent Development solutions business (LHH) globally benefits clients with its unparalleled service offering. Clients increasingly require these services in multiple countries and our organisation structure perfectly fits this need.

The Board of Directors (BoD) determines the overall strategy of the Adecco Group and supervises Management. The CEO is responsible for the implementation of the strategic and financial plans as approved by the BoD and represents the overall interests of the Adecco Group. The Executive Committee consists of the Group's CEO, Chief Financial Officer, Chief Sales Officer, Chief Human Resources Officer and eight Regional Heads representing all countries where Adecco operates.

Our key performance indicators (KPIs)

To measure the effectiveness of our strategy from a financial perspective, we closely monitor the following KPIs:

- Revenue growth
- Gross profit growth and development
- Selling, general and administrative (SG&A) expenses development
- EBITA growth and EBITA margin development
- Conversion ratio (EBITA as a percentage of gross profit)
- Days sales outstanding (DSO)
- Economic Value Added (EVA)

We also measure non-financial goals. Retaining our own employees is a strategic priority of management. We review the retention rate quarterly and use the Great Place to Work® survey to further improve our attractiveness as an employer. We conduct the Global Satisfaction Survey among clients, associates and employees on a regular basis – a dialogue with those people who determine our success. It provides us with feedback on our brand promise, brand voice, processes and KPIs, and allows us to constantly improve. By increasing client, associate and employee satisfaction we enhance the creation of value.

What makes us unique

Adecco offers a complete range of HR solutions and services along the life cycle of clients and workers in more than 60 countries and territories around the world. This means we provide solutions to enterprises and individuals globally. We are the largest provider of general and professional skills and through our network we place close to 700,000[1] people at work every day. We are the only global player offering both Managed Service Programmes (MSP) and our own Vendor Management System (Beeline) in a bundled solution to those customers looking to outsource the management of their contingent workforce. Furthermore, we are the uncontested global leader in the Career Transition and Talent Development space, with our LHH branded business. We partner our associates and our clients, finding the best fit for the skills and aspirations of talents to the evolving needs of enterprises. Coupled with our global reach and decentralised management approach, which fosters entrepreneurship and enables adaptation to local market conditions, we are a trusted and reliable partner for all stakeholders. What makes us unique is our global reach and broad range of leading services and solutions.

In 2012 we faced diverse economic trends across the regions where we operate. In growing markets we focused on improving profitability, in contracting ones we worked on preserving it.

Our results

Review of Group results

Highlights for the Adecco Group In 2012 we faced diverse economic trends across our major markets. Whereas our North American business improved as the year progressed, continued economic uncertainty related to the sovereign debt crisis in Europe led most markets in the region to contract.

France, accounting for 25% of total revenues, declined by 14% while revenues in North America, representing 18% of our total revenues, grew 3% organically. Revenues in UK & Ireland grew by 6% in constant currency. Germany & Austria grew 1% organically. We outperformed the market in Germany and gained market share, as better business conditions than in most other European countries also helped. In Japan, revenues declined by 10% organically. The Emerging Markets continued to expand solidly, growing 10% in constant currency.

From a business line perspective, development was typical for a slowing economic environment, with growth more resilient in Professional than in General Staffing. In 2012, revenues stemming from Professional Staffing and Solutions represented 25% of Group revenues compared to 22% in 2011. Organically, Professional Staffing grew 1% while General Staffing was down 6%. In our Solutions business, counter-cyclical Career Transition services reported an organic revenue increase of 1%, while in MSP and VMS strong double-digit growth was achieved.

2010 and 2011 had been marked by strong revenue growth, primarily driven by the lower margin General Staffing business. During 2012, organic Group revenue growth fell back into negative territory, given the tough conditions in Europe. On the other hand, our gross margin improved a solid 50 bps to 17.9% or was up 30 bps organically. The main reasons for the uplift were the improving business and country mix as well as our continued strict approach to pricing. Given weakening revenue trends, 2012 was about preserving the EBITA margin. We practiced tight cost control and aligned the cost base more radically where necessary. One major action was undertaken in France, where in early March 2012 we announced the combination of the Adecco and Adia branded businesses under the single Adecco brand. The aim was to further strengthen the Group's position in France and to ensure sustainable profitability. Market developments during 2012 proved that this was absolutely the right step to take.

In 2012 we successfully completed the integration of DBM, which we acquired in August 2011, into Lee Hecht Harrison (LHH). Combining Adecco's Lee Hecht Harrison (LHH) business with DBM created the world's leading Career Transition and Talent Development services provider. Initially targeted synergies of EUR 20 million were clearly exceeded and fully realised by the end of 2012. We also acquired and integrated VSN Inc., a leading provider of Professional Staffing services in Japan, which has been included in our results since January 2012.

Key figures at a glance

in EUR millions	2012	2011	variance
Revenues	20,536	20,545	0%
Gross profit	3,674	3,566	3%
Gross margin	17.9%	17.4%	
SG&A	(2,949)	(2,752)	7%
EBITA	725	814	-11%
EBITA margin	3.5%	4.0%	
Net income attributable to Adecco shareholders	377	519	-27%
Basic EPS	2.00	2.72	
Diluted EPS	2.00	2.72	
Operating cash flow	579	524	10%
Dividend per share in CHF	1.80 [2]	1.80	0%

Main financial highlights 2012:

- Revenues flat at EUR 20.5 billion (down 4% organically[1])
- Gross margin at 17.9%, up by 50 bps (+30 bps organically)
- SG&A up by 7% (down by 1% on an organic basis and before restructuring and integration costs which amounted to EUR 88 million in 2012 and EUR 20 million in 2011)
- EBITA of EUR 725 million, declined by 11% (down 9% organically and before restructuring and integration costs)
- EBITA margin of 3.5%, down 50 bps (4.0% and down 10 bps before restructuring and integration costs)
- Net income attributable to Adecco shareholders of EUR 377 million, down 27%
- Strong operating cash flow of EUR 579 million, up 10%
- Proposed dividend of CHF 1.80[2] per share, equal to the dividend paid for the year 2011

Other highlights:

- In January 2012, we successfully completed the acquisition of the Japanese staffing company VSN Inc. which doubled the contribution of Professional Staffing to the company's revenues in Japan.
- In February 2012, Adecco S.A. placed a 4-year CHF 350 million bond with a coupon of 2.125%. The notes were issued within the framework of the Euro Medium-Term Note Programme and are traded on the SIX Swiss Stock Exchange. The proceeds are used for general corporate purposes.
- In June 2012, we announced the launch of a share buyback programme of up to EUR 400 million on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The share buyback commenced in mid-July 2012. As of December 31, 2012, the Company had acquired 3.8 million shares for EUR 145 million under this programme.
- In July 2012, Adecco S.A. placed a 5-year CHF 250 million bond with a coupon of 1.875% and an 8-year CHF 125 million bond with a coupon of 2.625%. In October 2012, with a reopening, we placed an additional CHF 100 million of the 5-year bond, bringing the total issued under the financial instrument to CHF 350 million. The proceeds are used to fund the share buyback.
- In November 2012, the settlement of the 3-year CHF 900 million mandatory convertible bonds led to the delivery of a total of 19,131,064 of Adecco S.A.'s treasury shares.

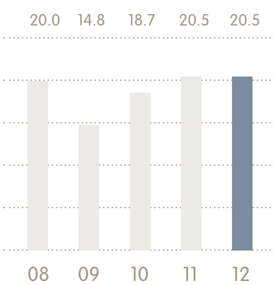
Review of operational results

Revenues In 2012, our revenues were flat at EUR 20,536 million and declined by 4% organically. Temporary hours sold were down 5% to 1,193 million. Permanent placement revenues amounted to EUR 343 million, down 5% in constant currency when compared with the prior year. Career Transition (outplacement) revenues totalled EUR 269 million, an increase of 30% or 1% organically. From a business line perspective, revenues in the General Staffing business (Office & Industrial) were down 3%, or down 6% organically, while Professional Staffing revenues increased by 10% or 1% organically. Revenues in Solutions were up 28% or 4% organically. Whereas the counter-cyclical Career Transition (outplacement) business showed limited organic growth, revenues in MSP and VMS were up in solid double digits.

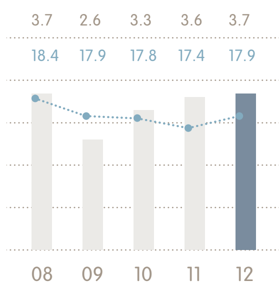
1 Organic growth is a non-U.S. GAAP measure and excludes the impact of currency and acquisitions and divestitures.

2 Proposed by the Board of Directors.

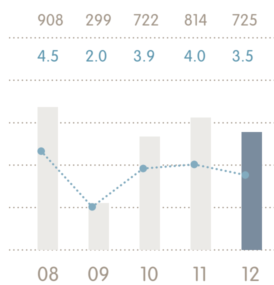
Revenues *in EUR billions*



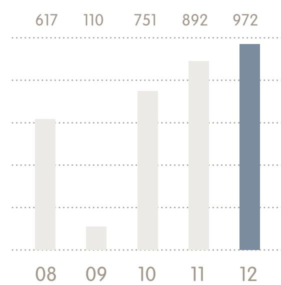
Gross profit *in EUR billions*
Gross margin in %



EBITA *in EUR millions*
EBITA margin in %



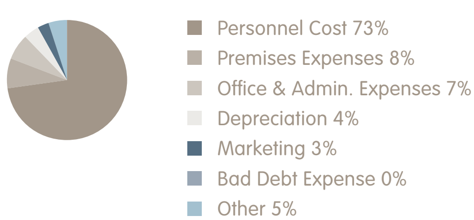
Net debt[3] *in EUR millions*



Gross Profit was up 3% to EUR 3,674 million or down by 3% organically. The gross margin was 17.9%, 50 bps higher than in 2011. Organically, the improvement in the gross margin was 30 bps. We continued to practice strict price discipline based on our EVA (Economic Value Added) approach, even if that meant underperforming market developments, such as in France. We also benefited from an improving business and country mix. Organically, the temporary staffing business had a positive impact of 10 bps on the gross margin and the outplacement business positively impacted the gross margin by 10 bps. The permanent placement business had a neutral impact on the gross margin whereas other activities had a positive impact of 10 bps, both organically.

Selling, general and administrative expenses (SG&A) In order to protect profitability and further structurally increase the efficiency of the Company, we took more actions to cut costs. Most notable was the combination of the Adecco and Adia branded businesses in France into the single Adecco brand. SG&A increased by 7% or decreased by 1% excluding restructuring and integration costs and organically. Restructuring costs amounted to EUR 83 million and integration costs for DBM amounted to EUR 5 million (integration costs for MPS and DBM amounted to EUR 20 million in 2011). In 2012, the average number of FTE employees decreased by 1% or by 2% organically. The average branch network was flat or down 2% on an organic basis when comparing 2012 with 2011. On December 31, 2012, the number of branches and FTE employees was around 5,400 and 32,000 respectively.

SG&A breakdown
FY 2012



EBITA In 2012, EBITA decreased by 11% to EUR 725 million. Organically and before restructuring and integration costs, EBITA declined by 9%. The EBITA margin before restructuring and integration costs was down 10 bps to 4.0% compared to 4.1% in 2011.

Operating income In 2012, operating income decreased by 12% to EUR 673 million.

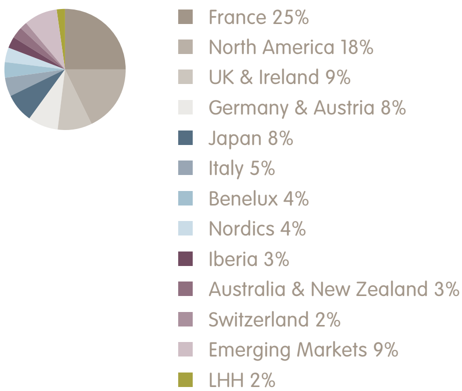
Net income attributable to Adecco shareholders and EPS Net income attributable to Adecco shareholders in 2012 was EUR 377 million, compared to EUR 519 million in 2011. Basic EPS was EUR 2.00 (EUR 2.72 in 2011).

Cash flow, net debt and DSO Operating cash flow was up 10% to EUR 579 million in 2012. The Group invested EUR 87 million for VSN and EUR 88 million in capex in 2012. Dividends paid were EUR 256 million in 2012. Net debt[3] at the end of December 2012 was EUR 972 million compared to EUR 892 million at year end 2011. In 2012, DSO was 54 days compared with 55 days in 2011.

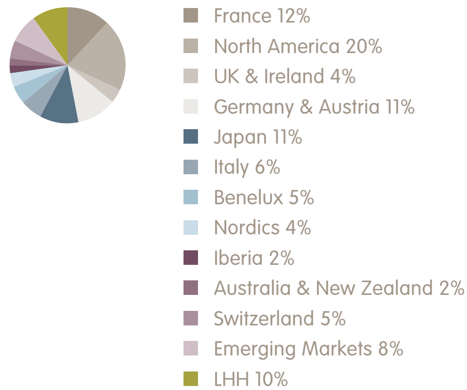
Outlook in 2013 Year-on-year revenue growth slowed during Q4 2012, but stabilised into the new year. In the first two months of Q1 2013, Adecco Group's revenues were down 5% compared to the prior year, on an organic basis and adjusted for trading days. Within Europe, France remained challenging while the revenue decline in Germany & Austria adjusted for trading days stabilised, despite the comparison against a strong first quarter in 2012. In North America, revenue growth remained healthy and the same held true for the Emerging Markets. Japan remained weak.

3 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.

2012 Revenue split by segment *in %*



2012 EBITA split by segment *in %*
(operating units)



Given the current environment, we continue to focus on price discipline and the tight alignment of the cost base to revenue developments. Consequently, in 2013 we plan to invest EUR 30 million to further optimise the cost base. Approximately one-third of the investments are related to the on-going consolidation of the data centres in North America. The remainder will be invested in further aligning the cost base to revenue developments in France and other countries.

Thanks to Adecco's strong balance sheet and cash flow generation, an enhanced dividend policy has been introduced. In addition to the pay-out range of 40–50% of adjusted net earnings, the Company is committed to pay at least a stable dividend compared to the previous year even if the pay-out range is temporarily exceeded, barring seriously adverse economic conditions.

The Adecco Group is solidly positioned for the future. In an environment of economic uncertainty we will continue to build on our strengths – our leading global position and the diversity of our service offerings. We will continue to take advantage of growth opportunities, with a strong focus on disciplined pricing and cost control to optimise profitability and value creation. We continue to be very focused on reaching our mid-term EBITA margin target of above 5.5%. Based on the good progress on our six strategic priorities and more favourable economic conditions expected towards the end of 2013, we are convinced we will achieve this target in 2015.

Review of main markets

France

Country revenue split by business line

in EUR millions	2012	2011	variance
Revenues	5,203	6,066	-14%
EBITA	103	220	-53%
EBITA margin	2.0%	3.6%	

Within Europe, France is a key market for staffing, with an approximate share of 7%[4] of the global market. While the staffing industry in general shows a high degree of fragmentation, the French market is significantly concentrated: the three major players hold a total market share of around 70%[4]. Adecco is the market leader in France, with a market share of 28%[4]. France is also a key market for our Company, where we generated 25% of our total revenues in 2012. Approximately 90% of revenues stemmed from the General Staffing business, the largest part of which comprises blue-collar industrial staffing. Professional Staffing still represents a minor part of our business in France, but represents a structural growth area for the future. Steady deregulation of the temporary staffing industry in France has opened up opportunities for our Company. Since 2005, staffing companies are permitted to facilitate permanent placements. In 2009, the French parliament voted in favour of opening up the public sector to temporary staffing services, paving the way for temporary staffing in hospitals, as well as in state and local administrations. Until now, given the

4 Adecco estimate.

rigid structure of the public sector, using private agencies for temporary staffing has evolved only slowly. In addition to the increased need of companies for a more flexible workforce, the opening of the public sector to temporary staffing is seen as a driver for higher peak penetration rates in the French market.

In order to further increase the efficiency of our French operations, in early March 2012 we announced our intention to combine the Adecco and Adia branded businesses under the single Adecco brand. The aim was to further strengthen the Group's position in France and to ensure sustainable profitability. Combining the expertise of both General Staffing businesses under a single roof facilitates an even better offering for clients, candidates and colleagues. At the same time the cost base was addressed with the planned reduction of over 500 FTE employees and further branch network and shared service centre consolidation. After the mandatory legal talks with the French Works Councils, we were able to kick off the implementation of our plans during August. By year end 2012, the implementation of most planned actions was nearly complete. More than 500 FTE employees had left the Company and the number of branches was around 10% lower year-on-year. Given the deteriorating market conditions in France throughout 2012, the move to further optimise the business and to reduce the cost base were absolutely the right steps to take.

The uncertainty related to the European debt crisis and the consequent recession in the region led to a declining French staffing market. Revenues decreased by 14% when compared with the previous year. The decline was driven by Industrial staffing, which decreased by 15%. Adecco focused on preserving profitability through strict price discipline. Although our revenue development underperformed the market, we were able to improve our gross margin. Costs related to the combination of the Adecco and Adia branded businesses under the single brand of Adecco amounted to EUR 60 million in 2012. Excluding these costs, SG&A declined by 6%. EBITA amounted to 103 million in 2012. Excluding the restructuring costs, EBITA was EUR 163 million and the margin was 3.1%, down 50 bps compared to the prior year.

Recent regulatory developments should provide some tailwinds for the French economy and for Adecco's operations in France. The French Government has pushed through a EUR 20 billion tax relief programme for companies, in proportion to the total amount of salaries below a certain threshold (intended to cover low and medium salaries). Additionally, in January 2013, employers and unions agreed on more relaxed labour regulations. One of the concessions, which the employers' representatives had to make, was on increased taxation on short-term contracts with a limited duration (CDD contracts). However, since this additional taxation increase does not apply to temporary contracts, our industry should benefit. At the beginning of 2013, since the restructuring is close to completion and the new organisation is in place, commercial activity picked up.

A major priority for the management in France in 2013 will be the on-going improvement in segmenting the business, with dedicated branch networks and distinct operating models by segment. We will also work on further optimising our support processes after the combination of the Adecco and Adia branded businesses. And, additional measures will be taken to align the cost base to revenue developments.

North America[5]

Country revenue split by business line

in EUR millions	2012	2011	variance[6]
Revenues	3,800	3,442	2%
EBITA	161	146	2%
EBITA margin	4.2%	4.2%	

The US market, which represents 32%[4] of the global staffing market, is the largest worldwide. It is highly fragmented, and while we are the third-largest player, our market share is only about 4%[4]. From a regulatory perspective, this market is amongst the most liberalised in our industry.

North America represented 18% of the Group's total revenues in 2012. Since May 1, 2012, the region is led by Robert P. (Bob) Crouch. He was previously Chief Financial Officer of the MPS Group and had played a key role in developing MPS into a leading provider of Professional Staffing services in North America. The share of revenues generated in the Professional Staffing business is amongst the highest when compared with our other markets. Professional Staffing and Solutions revenues were roughly 50% of total revenues while 50% stemmed from General Staffing. The region's demand for temporary jobs was healthy in 2012 and in stark contrast to the continuing high level of unemployment. Of the approximately 900,000 temporary staffing jobs lost during the recession in 2008

5 In 2012, Mexico, previously reported within North America, is reported under Emerging Markets. The 2011 information has been restated to conform to the current year presentation.

6 In constant currency.

7 Source: Bureau of Labor Statistics (BLS).

and 2009, over 800,000 had been recovered by the end of 2012. As a result, the penetration rate (the number of temporary employees as a percentage of the overall workforce) increased from the trough of 1.33%[7] in 2009 to 1.90%[7] at the end of 2012, close to the peak of 2.0%[7], reached in the year 2000. Recent regulatory and structural trends point to this peak being surpassed in the future. One driver is the healthcare reform, which could spur further demand for temporary staffing. Since the variability of assignments may afford staffing companies the ability to offer temporary workers a variety of healthcare coverage options, our industry is seen to offer advantages both from a cost and flexibility point of view.

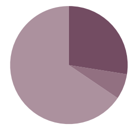
From a business line perspective, the Office business grew 5% in constant currency, while Industrial grew 2% in constant currency. Overall, General Staffing grew 3% in constant currency. Professional Staffing was flat in constant currency or up by 4% organically, as business in IT staffing progressively accelerated during 2012 and we were able to close the gap to the market. IT Professional Staffing was down 7% in constant currency or up 2% organically. While Finance & Legal and Medical & Science grew solidly during the year, at rates of 7% and 19% respectively, in constant currency, Engineering & Technical was flat, with demand from the Government sector held back by the uncertainty on the level of public spending.

Overall, revenues in the region amounted to EUR 3,800 million, up 2% in constant currency or up 3% organically. EBITA increased by 2% on a constant currency basis to EUR 161 million. The EBITA margin was 4.2%, flat compared to the prior year. Organically and before restructuring and integration costs, EBITA increased 3%. The EBITA margin before restructuring costs was 4.4%, the same as in the prior year when excluding integration costs. Restructuring costs incurred for the consolidation of several data centres amounted to EUR 6 million in 2012. Integration costs related to MPS amounted to EUR 4 million in 2011.

The focus in North America in 2013 will be on further organically growing the Professional Staffing business, best leveraging the opportunities arising with Business Process Outsourcing solutions (MSP/RPO/VMS), further developing permanent placements and the delivery models offered by new social media, web and mobile tools. At the same time, we will continue to expand our successful General Staffing business.

UK & Ireland

Country revenue split by business line



Office
Industrial
Professional Staffing & Solutions
General Staffing

in EUR millions	2012	2011	variance[6]
Revenues	1,936	1,707	6%
EBITA	32	32	-9%
EBITA margin	1.6%	1.9%	

Representing 11%[4] of global staffing revenues, the UK is the third-largest market in the industry worldwide. As in the USA, the UK staffing market is highly fragmented and the labour market is fairly liberalised. With a market share of 6%[4] we are the market leader in the UK.

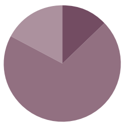
In 2012, our revenues amounted to EUR 1,936 million, up 6% in constant currency. This represented 9% of the Group's total revenues. From a business mix perspective, roughly two-thirds of our revenues stemmed from the Professional Staffing line, while one-third was generated in General Staffing. In constant currency, EBITA decreased by 9% to EUR 32 million. The EBITA margin was 1.6% in 2012, down 30 bps compared with the prior year and down 40 bps, when excluding integration costs in 2011. In the year under review, profitability was impacted by the sponsorship costs for the London Summer Olympics, where Adecco was the official recruitment provider. The EBITA margin would have shown an increase when excluding these costs from the 2012 results and when compared to the 2011 results excluding integration costs. Integration costs related to MPS amounted to EUR 2 million in 2011.

The UK market showed moderate growth in 2012, after a weak recovery in 2011. New client wins and our leading role in providing HR solutions for the Summer Olympics helped us gain market share during the year, despite the difficult business environment. Revenues grew 7% in General Staffing, while Professional Staffing was up 5%, all in constant currency.

We will continue to focus on leveraging our market-leading position, strengthening our presence in permanent placements and enhancing our profitability. Top priorities remain the further improvement of service delivery models, leveraging the opportunities offered by the Business Process Outsourcing solutions (MSP/RPO/VMS) and a systematic approach to client attraction and retention.

Germany & Austria

Country revenue split by business line



in EUR millions	2012	2011	variance
Revenues	1,591	1,544	3%
EBITA	90	110	-18%
EBITA margin	5.6%	7.1%	

Globally and within Europe, Germany is a key market for staffing, with a roughly 6%[4] share of the total global market. Our market share, in what we continue to view as one of the most attractive markets, is 9%[4], making us the number two in Germany. During 2012 the German economy slowed, but was more resilient than most other European countries. The penetration rate of 2.0%[4] was in-line with the peak level achieved during 2011 and it is a reflection of the structural growth the German temporary staffing market offers. Also mid-term, Germany remains an attractive structural growth market in our view, as greater acceptance of temporary staffing and the need for flexibility will result in higher penetration rates. Companies strive to further increase their flexible workforce and the European Agency Work Directive requires the lifting of all restrictions on temporary agency work. This offers additional revenue potential for our industry. Moreover, in the German construction sector, which today is still closed to temporary labour, restrictions should eventually be lifted.

Germany's exposure to export-oriented sectors such as the capital goods industry and the automotive sector, coupled with resilient domestic consumption, resulted in above-average GDP growth in a European context. In 2012, our revenues in Germany & Austria increased by 3% or 1% organically to EUR 1,591 million. With this we clearly outperformed the market and gained market share. From a business line perspective, Professional Staffing revenues represented 17% of our revenues in Germany & Austria, while General Staffing contributed 83%. Compared with 2011, EBITA decreased by 18% to EUR 90 million. The EBITA margin was 5.6%, down 150 bps compared to the prior year. On an organic basis and when excluding restructuring costs, EBITA decreased by 12%. The EBITA margin before restructuring costs of EUR 10 million in 2012 amounted to 6.3%, down 80 bps compared to 2011.

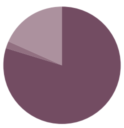
The comparatively higher profitability in Germany is attributable to the fact that temporary employees are on our own payroll – a regulation peculiar to the German and Swedish markets, where temporary employees are effectively permanent employees of the staffing firm. Employing associates on a permanent basis is in stark contrast to most other European countries, where the employment contract signed with temporary staff is limited to the duration of a certain assignment at the client. While having the temporary associates on our own payroll is to some extent a liability during economically difficult times, it also allows for premium pricing to factor in this risk, resulting in higher overall operating margins.

During 2012, driven by the implementation of the Equal Pay provision as per the European Agency Work Directive, new collective wage agreements for temporary staffing were negotiated between Unions and employers in various industries, reflecting better alignment in terms of compensation between temporary and permanent jobs. For instance, IG Metall, the largest Union in Germany representing around 25% of the market, negotiated progressive wage increases on top of the base rate as follows – an increase of 15% after six weeks, 30% after five months, 45% after seven months and 50% after nine months. The wage increases are based on the length of the assignment at the same client company. Other Unions followed suit, with similar structures. At Adecco, we have been supportive of this development as this will help enhance the image of the staffing industry and will drive higher penetration rates in Germany.

In 2013, our focus will be on developing our business with small and medium enterprises. We aim to achieve this through better segmentation and with an optimised delivery model. As the leader in Professional Staffing we are well positioned to benefit from the structural growth potential in the German market. At the same time, we will further work on improving our profitability, through strict price discipline and tight cost control.

Japan

Country revenue split by business line



in EUR millions	2012	2011	variance[6]
Revenues	1,550	1,406	1%
EBITA	91	80	3%
EBITA margin	5.8%	5.7%	

The Japanese market is the second-largest staffing market in the world, representing roughly 17%[4] of the global market. This market has seen robust growth since the beginning of liberalisation in 1996. Fragmentation is high, with the five largest players representing only around 20%[4] of the market, while the remainder is dominated by numerous small regional staffing firms. Adecco is currently the fourth-largest player in the Japanese market.

In 2012 the Japanese market continued to contract. Adecco has a high exposure to late-cyclical office and clerical business and approximately 80% of our total Japanese revenues are generated in this line. Demand for temporary staffing services in Japan was still negatively impacted by an uncertain regulatory and economic environment. Since early 2010, the Japanese government had considered revising the regulations on temporary staffing and a new temporary worker 'dispatch' law came into effect as of October 1, 2012. The Government defined 26 categories where temporary staffing is still allowed. Although some implementation steps are still pending, it is expected that customer hesitancy to use temporary agencies will diminish over time, as regulatory uncertainties are removed. In addition, with the new liberal government taking office, temporary labour might gain more support from a political perspective than under the previous socialist government. This evidently would be a positive for our industry and would spur demand.

At the end of the first quarter 2012, we successfully completed a few large outsourcing contracts, which had benefited our growth in 2011. At the same time, we saw a clear slowdown in business from the Insurance sector, which had driven demand due to the tsunami and earthquake in the previous year. Revenues for the full year 2012 increased 1% in constant currency to EUR 1,550 million. On an organic basis revenues decreased by 10%. EBITA increased by 3% in constant currency to EUR 91 million or was down 14% organically and when excluding restructuring costs. The EBITA margin was 5.8% in 2012, up 10 bps compared to the previous year. The EBITA margin excluding restructuring costs was 5.9%, up 20 bps compared to 2011. The acquired Professional Staffing company VSN Inc., which has been included in our results since January 2012, had a positive impact on the EBITA margin of 40 bps. We continued to be the cost leader in the market, delivering the highest profitability compared with our mainly local peers.

Our efficient service model is the main differentiating factor in the Japanese market. We have modified our traditional branch model, mainly in major urban areas, by separating the sales and recruitment processes. The aim was to attract a higher number of candidates in a market characterised by supply shortage as well as to improve client service. Our presence at high-traffic locations enables us to funnel a large number of candidates into an efficient screening process. The sales process, on the other hand, is centralised in contact centres in various cities, while a comprehensive database hosting client and candidate information forms the link between the job and the contact centres. In terms of the business mix between Professional and General Staffing, the acquisition of VSN in January 2012 doubled the share of Professional Staffing to revenues bringing it to approximately 20%, while approximately 80% are generated in General Staffing.

As of January 1, 2013, Christophe Duchatellier has taken on the extended role of Regional Head of Asia and Japan. Upon joining Adecco, Christophe initially managed the Professional Staffing business in France and at the beginning of 2012 was appointed Regional Head of Asia.

The short-term outlook for the Japanese staffing market is expected to remain muted as the economy stagnates. Adecco, however, believes that the structural growth potential is unchanged and will focus on opportunities in the temporary staffing, permanent placement and outsourcing markets to generate organic revenue growth.

Further information on countries and regions can be found in the Financial Review, starting on page 45.

We are fortunate to work with an extraordinary team. We strive to ensure that Adecco will always be the best place to work for each and every employee.

Our team

Talent management

To strengthen our role as the industry leader it is our priority to assist our employees in developing their individual potential. Their development is the main factor in the success of our business.

Talent Management has been a critical component of the HR strategy within the Adecco Group for many years, through a collaborative effort between the Group initiatives and the local programmes in the countries where we operate. Our ultimate goal is to attract and retain the best talent and to ensure that our leaders can continue to deliver on the overall Adecco Group strategy.

The four components of the Adecco Group Talent Management framework are: identification of high potentials, development, performance management and finally, succession planning.

Group development programmes

Adecco Academy

The Adecco Academy
The Adecco Academy runs the Group's global development programmes spanning multiple levels. The programmes are organised under two pillars: leadership and service & sales.

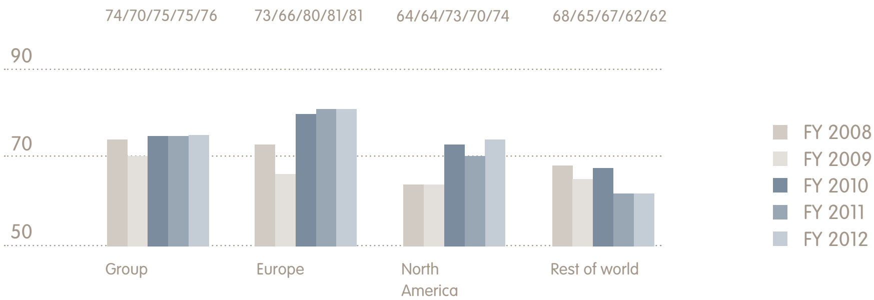
Leadership
Through our leadership programmes, in cooperation with two of the best business schools in the world, INSEAD in France and IMD in Switzerland, more than 700 of Adecco's managers have been trained to improve their leadership skills.

The Senior Leadership Programme takes senior leaders through a series of experiential activities, individual and group reflection as well as group work. Participants practice and hone their leadership skills in a team context.

The I^3 Leadership Development Programme delivers cutting-edge theory and experiences to best equip Adecco leaders to live the values of the Group and grow throughout their careers.

The MBA Highlights Programme broadens knowledge of a range of topics such as Strategy, Corporate Finance and Innovation with an overall theme of value creation.

Retention rate 2008–2012 *in %*



Service & sales

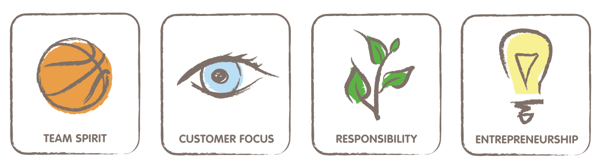
Service Excellence Course (SEC) is specifically designed for a very important group of employees – the branch managers, who have a big impact on our customers. The participants work through a series of discussions, activities and experiences to learn how to adapt a common customer service framework to the key interactions they have with their customers. During 2012, 800 employees in Europe, North America and Australia attended the SEC and it will be launched in South America, India and Asia during 2013. The impact of the course is seen and felt, not only by our employees, but also by our candidates, associates and clients and is an important factor of our success. In 2012 we presented the first Service Excellence award to an employee who attended the course and best demonstrated how its learnings can be put into practice.

Value Focused Selling (VFS) is a workshop which goes beyond basic sales techniques and delivers a tried-and-tested approach focused on consultative selling methodologies. The course teaches effective ways to engage clients in order to understand what is important to them and how to customise solutions to those wants and needs.

High Intensity Training (HIT) is a programme that teaches the basics of sales, recruiting, order maintenance and operational efficiencies. The programme discusses global best practices and works through techniques to adapt them locally. Learning techniques include large group discussion, role play and culturally adapted small group discussions.

Our core values

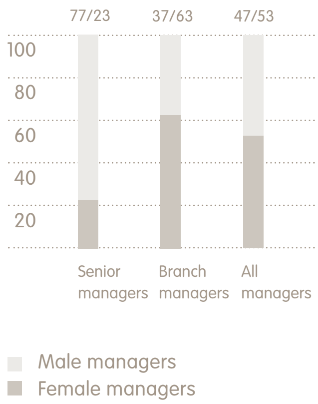
Our core values – team spirit, customer focus, responsibility and entrepreneurship – are at the very heart of how we operate. They are shared and brought to life by all our employees around the globe. On Group level, the Win4Youth initiative is a global manifestation of how we live by our values and is now being run for the fourth consecutive year (you can read more in our corporate social responsibility section on page 31).



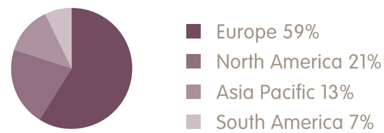
Retention and employee engagement

Our retention rate of 75.5% is among the best in the industry. In most of our major markets the rate is close to 80%. Retention is a strategic priority for Adecco and is tracked on a quarterly basis across the Group. Almost 70% of our employees remain in the company for more than two years and close to 50% for more than five years. In France – our largest market – close to 70% of our employees stay with us for more than five years.

Gender distribution in 2012 *in %*



Employees per region 2012



Great place to work Our goal is for Adecco to be recognised as an employer of choice, not just in our own industry, but alongside other world-leading companies. The Great Place to Work Trust Index© is an employee survey tool that measures the level of trust, pride and camaraderie within workplaces, a survey in which we have participated since 2004. The overall result for the Group improved by 6% in 2012 versus the prior year. The greatest improvement was seen in the dimensions respect and camaraderie. Through the Great Place to Work survey we are able to measure the engagement levels of our employees year over year and get a good understanding of our strengths and where we have room to improve. Through action plans and sharing across countries we are able to leverage our best practices across the Group.

In 2012 DIS AG in Germany ranked first on the Best Workplaces list in Germany and third on the European Best Workplaces list. In addition, Adecco Netherlands, Adecco Sweden, Tuja Germany and Atrias Germany were on the Best Workplaces lists in their respective countries. Office Angels, Adecco, Spring and Roevin were on the Sunday Times Best Companies to Work For list in the UK. The secret to these successes is our open company culture which is firmly based on our Group values and leadership principles: Cool Head, Warm Heart, Working Hands.

Equal treatment and diversity

At Adecco we foster a culture of equal opportunity, good training and career possibilities regardless of gender, age, disability or ethnic background. We see diversity as a great competitive advantage. Over time the demographics of our candidates and clients have changed and today are very different from only a few years ago. It is important for us to follow this development closely and create a workforce that is diverse and can understand the changing needs of our customers. In the Great Place to Work survey we scored very highly on the aspect of diversity in all countries.

Diversity awards received in North America in 2012:

- Diversity Promoter Award – Tri-State Diversity Leadership Conference
- Diversity Champions Awards presented to Lois Cooper and William Rolack at the 8th Annual World Diversity Leadership Summit
- Distinguished Speak Award presented to Lois Cooper – National Association of Asian-American Professionals
- 2012 Workplace Company Partner of the Year Award – Dress for Success
- Innovation & Entrepreneurship Award – OFC Venture Fund
- CEO Breakfast Co-Chair – Urban League of New York City

Our CSR strategy is centred upon Excellence, Integration and Skills. We feel it is our responsibility to improve the world of work and broaden work opportunities for all people.

Our corporate social responsibility

Unlocking potential through inclusion

Across the Adecco Group, Corporate Social Responsibility (CSR) is inherent in what we do every day. We have an agenda for action targeted to all stakeholders, going beyond broadening opportunities for individuals and clients throughout their career and business life cycle. We are actively involved in the key labour, economic and social issues of our time such as high and persistent (youth) unemployment, shifts in production, scarcity of talent and increased needs for flexibility.

Thanks to the commitment of around 32,000 employees in over 60 countries and territories, Adecco provides job opportunities to over 3 million people each year. Their income supports families' lives. Their talent, skills and efforts contribute to the productivity and sustainable success of over 100,000 Adecco clients. Employment is key to a healthy economy and reduces the welfare burden but most importantly, it gives people dignity and purpose through their contributing to society at large.

A range of specific programmes and activities in 2012, which are highlighted below, underpin the three pillars of our CSR strategy centred upon Integration, Skills and Excellence. CSR is part of our business strategy, overseen by the Corporate Governance Committee and the CEO and is the designated responsibility of management throughout our business operations. We submit our Communication on Progress (CoP) on a yearly basis to the UN Global Compact and apply the Global Reporting Initiative GRI Guidelines. Our recent CSR activities involve meeting increased expectations of clients and reporting indices in regard to our environmental, social and governance (ESG) performance.

Integration Integrating people into the workforce through temporary work is a central part of our business. Integration of youth, women, low-skilled workers, mature people and people with a disability is a priority for Adecco. Jobs and consecutive assignments provide people with diverse work experiences and enhance their adaptability to different roles and teams whilst keeping them independent. Agency work can serve as a stepping-stone to a permanent position. 37% of all temporary workers are officially registered as unemployed before working with an agency. This proportion falls to less than half that level twelve months after working as an agency worker.

As the official recruitment services provider of the London Olympic and Paralympic Games, Adecco UK & Ireland helped realise the organising committee's vision to create the most diverse and inclusive Games ever. We developed unique recruitment software which tracks streams of diversity such as age, ethnicity, faith, gender, disability and sexual orientation. We processed over 218,000 applications and hired 8,300 people of all backgrounds and abilities, both permanent staff and temporary employees for the duration of the Games.

We also took forward our integration activities, supporting the delivery of the IOC and the IPC Athlete Career Programmes. Adecco's role is to provide career development and job placement expertise to help elite athletes transition into the workforce. Since 2005 and 2007 respectively, the programmes have provided career development and job placement services to more than 10,000 elite athletes from over 100 countries. The IOC and the IPC both extended their commitment to the Athlete Career Programme by each signing a further eight-year contract with the Adecco Group in July and September 2012 respectively.

Prioritising activities
Adecco Group: three main global programmes in our strategic areas

Stakeholders	Global programmes
Employees Customers & Shareholders Society	**Excellence** Excellence Awards Adecco Academy **Integration** IOC Athlete Career Programme IPC Athlete Career Programme **Skills** Win4Youth

On the wave of the Paralympic Games, a catalyst for societal change toward people with an impairment, the IPC Academy and the Adecco Group organised the IPC Academy Inclusion Summit in London. Taking place during London 2012, Government representatives and interested stakeholders from around the world discussed how to take forward key learnings from the Games – ranging from recruiting a diverse workforce to creating accessible venues and facilities, to be replicated in workplaces and society at large.

The International Labour Organization (ILO) Global Business and Disability Network, of which we are a member and part of the Steering Committee, was re-launched during a special session organized by the ILO's Bureau for Employers' Activities. The Bureau raised awareness of the ILO Global Business and Disability Network and the business case for hiring people with disabilities during the International Labour Conference (ILC) in June 2012. We also took part in two regional meetings in South Africa and Peru, raising awareness on the importance of inclusion.

As part of the European Year for Active Ageing and Solidarity between Generations, we provided expertise to help develop the 'Golden Workers' project designed to help mature workers gain the IT skills necessary for employment. This culminated in the presentation of a 'Roadmap for Information and Communication Technology (ICT) adoption in the field of active ageing at work' at a final conference in Barcelona in December. The 'Active Ageing' initiative as a whole has been well received and was recognised by a 'Workplaces for All Ages' Award from the Spanish Ministry of Health and the Institute of Seniors and Social Services.

As a member of our global industry association (Ciett), we supported the development and publication of a five-point, five-year pledge called: 'The way to work: a job for every person, a person for every job' as the new vision brought to life for the Private Employment Services (PrES) industry. This embraces our industry's commitment to better functioning labour markets by adhering to the following pledges:

- Support 280 million people in their job life
- Help 75 million young people enter the labour market
- Up-skill 65 million people, giving them more work choices
- Create 18 million more jobs
- Serve 13 million companies with the right talents to succeed.

Skills The acquisition and on-going development of vocational and transferable skills is a passport to employment, income and a sustainable career in a changing economic and labour market environment. Public and private employment services play an important role in developing and delivering training and re-skilling programmes. Providing and guiding our associates and candidates, as well as our own employees, with suitable training and development opportunities is an essential part of our business approach.

Operating across the European Union, the European Alliance on Skills for Employability of which Adecco Group and Microsoft are currently members, supports the EU Growth and Jobs agenda by building partnerships which facilitate the provision of skills training for employability. At the European Employment Forum in Brussels, Adecco presented the Enabling Youth Mobility award to AIESEC, the world's largest youth-run organisation focused on providing a platform for youth leadership development.

After the enthusiastic response to our first two Win4Youth initiatives in 2010 and 2011, triathlon was our chosen challenge for 2012. In total, more than 30,000 employees participated in more than 10,000 events in 60 countries, swimming, cycling and running a total of 1,109,122 kilometres, way beyond our target of one million kilometres. This gave rise to an Adecco Group donation of USD 360,000 to four youth foundations.

The four charitable foundations in China, Morocco, New Zealand and Belgium help disadvantaged young people acquire the skills they need to become independent and proud adults.

The highlight event this year was the Garmin Barcelona Triathlon in October where all our 72 participants from 36 countries crossed the finish line.

Excellence Successful business operations imply we can help more individuals in their working careers and provide the flexibility and efficiency companies need to achieve solid results. Excellence means aiming for outstanding performances in all areas whilst applying our core values of Team Spirit, Customer Focus, Responsibility and Entrepreneurship as well as our leadership principles: Cool Head, Warm Heart, Working Hands.

In 2012, Adecco Group Excellence Awards were presented to ten winning teams recognised for the outstanding results they achieved. The Lee Hecht Harrison team won the overall Excellence Award while Adecco New Zealand were recognised for their retention rate. Other winners included Adecco Latin America, Adecco Belgium and the FESCO Adecco joint venture in China.

Our advances on the social, economic and environmental aspects of our business were reflected in internationally recognised assessments. In 2012, the Dow Jones Sustainability Index (DJSI) in cooperation with Sustainable Asset Management (SAM) confirmed Adecco's inclusion in the DJSI World & Europe. We were again included in the FTSE4Good Index Series and our CDP (Carbon Disclosure Project ranking) improved due to enhanced environmental reporting and our commitment to reduce our CO_2 emissions by 12% by 2022.

As a strategic partner of the World Economic Forum and participant in their regional events around the globe, we supported the Forum's commitment to improving the state of the world by creating greater choice in the domain of work and by unlocking potential in individuals, enterprises and society in general.

For more information visit csrr.adecco.com and follow us on www.facebook.com/adecco and www.facebook.com/win4youth.

Identifying, mitigating and managing risks is part of our culture. Furthermore, our risk management process is used to identify business opportunities, to improve our services for clients and associates and to increase the value of the Adecco Group.

Risk management

The process The risk management process at the Adecco Group has strategic and organisational dimensions. Besides analysing, managing and mitigating risks, the aim is also to identify business opportunities. The risk assessment process includes an estimation of the likelihood of risk occurrence, potential impact on the financial results and an assessment of the effectiveness of existing internal controls. When existing controls need further improvements, action plans are established and implemented to mitigate the risk to an acceptable level. All countries perform risk assessments on a regular basis and report their results to Group Management. The results are discussed in the Risk Management Steering Committee to determine whether the countries' assessments are plausible also from a Group perspective. Risks identified at country and corporate level are treated as opportunities for improvement. In this sense, the risk management process is a vital part of daily activities within the organisation. The Group's financial risk management activities are also covered on page 108 in the Financial Review. This section focuses on describing where key risks emerge and the actions Adecco takes to manage and mitigate those risks.

Key business risks

Economic environment As a general rule, demand for HR services is sensitive to changes in the level of economic activity. When the global economy accelerates, demand for temporary and permanent placement services increases; when the economy slows down, so does demand. On the other hand, the impact of the level of economic activity on the Career Transition (outplacement) business is counter-cyclical in nature. Demand for Career Transition services rises in difficult economic times and decreases when the economy improves. In all our businesses, fluctuations in revenue and profitability need to be managed through tight cost control in order to ensure financially sound results.

How do we handle changes in economic activity? Given the low level of visibility for the staffing business, it is important that management at country level is constantly aware of economic developments in order to adapt the cost base to revenue trends. Corporate and regional management need to maintain an active dialogue so that capacity can be adjusted as and when necessary. Close monitoring of weekly and monthly results and updated forecasts ensure a rapid response to business developments. Our focus on EVA supports this approach.

Client attraction and retention The Adecco Group's business potential and long-term prospects depend on attracting and retaining clients. Client satisfaction, as a result of our services rendered, is a key indicator for client retention and therefore needs to be monitored closely.

How do we ensure client attraction and retention? The active use of the client Global Satisfaction Survey, which is carried out twice a year, is a valuable tool to monitor client satisfaction within countries and regions. The Adecco Group uses the results to train and support salespeople, to draft and execute sales action plans, and to further enhance services to meet client needs. In parallel, we continue to improve our delivery channels and to optimise sales processes, leading to enhanced client attraction, greater client satisfaction and ultimately to increased revenue growth prospects.

Associate attraction and retention We depend on our ability to attract and retain associates who possess the skills and experience to meet clients' staffing needs. With talent shortages in certain sectors and intense competition for skilled individuals, providing suitably qualified associates is a challenge. Our continued success depends on our ability to offer associates attractive assignments and conditions in order to attract and retain them.

How do we address associate attraction and retention? Key to retaining associates is being able to offer consecutive assignments with attractive wages and training modules to improve their skills and qualifications. Our Global Satisfaction Survey also addresses associates and is designed to help us identify their needs. The findings are continually evaluated and implemented in our solutions of servicing qualified people to keep up with changing client needs and emerging technologies.

Employee attraction and retention The effectiveness of our operations depends on the commitment of key corporate personnel, local managers and field staff. Local relationships and the quality of services are vital to our ability to attract and retain business. The loss of top personnel, with valuable operational experience in the global HR services industry or with strong customer relationships, may cause significant disruption to our business.

How do we respond? Retaining and hiring the right people and placing them in the right job can significantly influence Adecco's business prospects. The annual Great Place to Work® survey gauges employees' satisfaction with their workplace. Compensation packages need to be competitive and closely aligned with Company targets. 'Economic Value Added', as a performance-based incentive concept, is applied at almost all levels and regions of the organisation. Adecco endorses the view that frequent, honest and transparent communication, as well as a clear strategy from top management, is essential in ensuring employee satisfaction.

Information Technology IT plays a pivotal role in today's business operations. The growing dependency on IT makes the potential impact of disruptions even greater. Key IT-related risks include failure of the IT infrastructure, leading to loss of service or a leakage of confidential business information, among others.

What mitigating measures do we take? We continue to improve our existing IT process risk management, including monitoring, security and compliance, coupled with continual assessment of our global security and IT infrastructure (network, database, application). Furthermore, we have a contingency plan based on a detailed, country-by-country assessment of our exposure to a severe IT disruption. A review of agreements with IT service providers and enhancement of service-level and contract management are embedded in the IT processes, as is the steady improvement of user security awareness. Continuous investments in our IT platform and a move to a centralised organisation further increase the efficiency and quality of our services.

Change in regulatory/legal and political environment
The private employment services industry requires appropriate regulation with the ultimate goal of enhanced quality standards. The triangular relationship (Private Employment Agency, Associate & Client) is a widely accepted employment form and officially recognised by the EU in its Directive (2008/104/EC) on temporary agency work, as well as by the ILO with its Convention on private employment agencies (n° 181).

What can Adecco do to avoid inappropriate or unbalanced regulation? Adecco is a founding member of Ciett, the International Confederation of Private Employment Agencies and the authoritative voice representing the interests of affiliated agency work businesses. We play an active role in Ciett's approach to taking the staffing industry forward through informed and influential dialogue with key stakeholders. At regional and local level we are involved either via our own company representatives or through associations and federations. We are also a Strategic Partner of the World Economic Forum. The ultimate goal of our initiatives is to improve working and employability conditions whilst ensuring the competitiveness and growth of businesses and economies.

Adecco S.A. shares are registered in Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN). Adecco is a constituent of the Swiss Market Index (SMI), Switzerland's most important stock market index, containing the 20 largest and most liquid Swiss stocks.

Investor Relations

Equity story The Adecco Group is the world's leading provider of HR solutions, offering a wide variety of services including temporary staffing, permanent placement, Career Transition (outplacement), Talent Development, outsourcing and other services. We have around 32,000 FTE employees and place almost 700,000 people at work every day through a network of around 5,400 branches in over 60 countries and territories.

Our core competences include providing flexible workforce solutions and matching clients' needs with candidates' skills. In an environment of cyclical and seasonal changes in demand, we help our clients to adapt their workforce needs accordingly. More customisation and made-to-order impact the production cycle and reduce the predictability of our clients' business development. We help our clients manage their business cycles by providing them with the required human resources with the right skills, at the right time. We help smooth seasonal impacts on businesses through flexible workforce solutions allowing for rapid adaptation to peaks and troughs in demand during the year. Thanks to our global presence we can deliver geographic mobility and organise work migration to match clients' needs with candidates' skills to meet the diverse needs of labour markets.

Our temporary and permanent placement businesses, which constitute over 90% of our total revenues, are cyclical and dependent on the level of economic activity in the countries where we operate. These businesses expand during periods of economic growth and contract during recessions. On the other hand, our outplacement business, where we offer Career Transition services, is counter-cyclical and expands during difficult economic periods. Our profitability is dependent on the revenue level, business mix, country mix, pricing and the way we manage our cost base. While revenue development to a large degree hinges on economic activity, we actively practice price discipline to optimise gross profit and we consistently manage our cost base very strictly, to protect profitability in downturns and to deliver increasing returns in upturns.

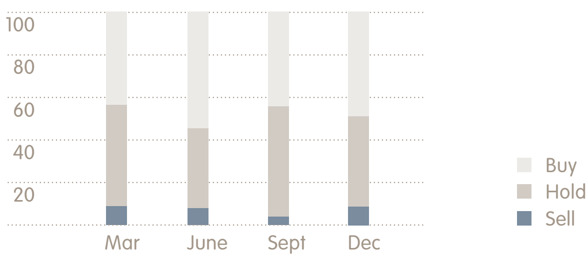
Through past acquisitions we have improved our business mix. Today we are also the leader in Professional Staffing, having increased our exposure to this higher-growth and higher-margin business and we took the lead in the counter-cyclical Career Transition (outplacement) and Talent Development segment, where we achieve very attractive double-digit EBITA margins. While our business offers operating leverage, we limit financial leverage and will always aim to maintain our investment grade credit rating. The application of the 'Economic Value Added' (EVA) concept ensures that the interests of our shareholders are met and that our daily decision-making processes are geared towards value creation. We have never ceased to pay dividends to our shareholders over the past few years, even in economically very challenging times, and our dividend pay-out ratio has ranged between 25% and 30% of adjusted net earnings. Given Adecco's solid financial position and strong cash flow generation, the pay-out range was increased for the year 2011 and going forward to 40–50% of adjusted net earnings. In addition, an enhanced dividend policy has been introduced. The Company is committed to pay at least a stable dividend compared to the previous year even if the pay-out range is temporarily exceeded, barring seriously adverse economic conditions.

We are confident that we are in good shape to enhance our leadership position in the HR services industry. Based on the good progress on our six strategic priorities and more favourable economic conditions expected towards the end of 2013, we are convinced we will achieve our EBITA margin of above 5.5% in 2015.

Investor Relations The Adecco Group Investor Relations team focuses on providing transparent and consistent information and interactive communication. We strive for an open dialogue with the financial community, the media and all key stakeholders, to enhance understanding of the business as well as to explain the implied risks and opportunities.

The Adecco Group is committed to providing regular updates on key value drivers, business strategy, threats and opportunities, as well as key ratios used by the Group to track its own performance.

Distribution of broker ratings in 2012* *in %*



** At quarter end.*

The Investor Relations team is dedicated to providing true, fair and up-to-date information to every interested stakeholder, so that the share price reflects the inherent value of the Company.

In addition to the release of our comprehensive quarterly results – which management discusses with the financial community via a conference call and webcast – we also offer meetings with management and Investor Relations at road-shows, industry or market conferences, and at our Headquarters. In addition, we strive to ensure clear and transparent communication of other price-sensitive information through press releases and comprehensive content on our website. At the same time, we respect the legal obligations relating to confidentiality and disclosure, and make every effort to guarantee equal distribution of price-sensitive information.

In keeping with this strategy, we maintained an efficient and open dialogue with the market through our Investor Relations activities in 2012, devoting 47 days to market communication around the time of our quarterly results releases. We participated in 8 broker conferences and 27 road-shows in Europe and North America during 2012.

On September 19 and 20, 2012, we hosted our bi-annual Investor Days in Paris with a total of 90 participants. The theme of the event was 'leading HR solutions on a global scale'. We provided the financial community and the media with an update on Adecco's strategy, financial performance and achievements, both from a Group and segment perspective. The aim was also to explain the progress so far in achieving the EBITA margin target of above 5.5%. While our CEO provided a strategic update and our CFO explained the financial performance and our potential, the event also featured presentations on Adecco's operations in France, including our progress with the restructuring plan; on Lee Hecht Harrison (LHH), the global leader in Career Transition and Talent Development; on the Company's business in North and Latin America, and Adecco's offering in Business Process Outsourcing solutions (which includes Managed Service Programmes and Recruitment Process Outsourcing, both run under the global brand Pontoon, and the Vendor Management System branded Beeline).

In addition, the Investor Relations section on the Adecco website, investor.adecco.com, provides the investment community with a broad source of up-to-date information at all times.

Coverage Adecco's share price development is closely monitored by the financial community. After reporting the Q4 & FY results for 2011, at the end of March 2012, 43% of the analysts recommended to buy the stock, 48% had a neutral view and 9% recommended selling. Peak confidence was reached in June 2012, after reporting strong Q1 results, which highlighted strong margin resilience despite organically declining revenues. 54% of analysts recommended to buy, 38% were neutral and 8% recommended to sell the shares. A slowing European economy and an accelerating rate of revenue decline led to a more cautious view from the analysts' side, resulting in downgrades during the summer months and early autumn. At the end of September 2012, 44% of analysts recommended to buy the stock, 52% had a neutral view, while 4% of analysts recommended selling. The year 2012 ended with 48% of the analysts being positive, 43% being neutral and 9% being negative on Adecco shares. Continued margin outperformance and a relatively stabilising macro-economic outlook were the drivers behind this result.

Currently 23 brokers are actively covering Adecco, maintaining regular contact with Group management and the Investor Relations team. They include: ABN Amro, Bank am Bellevue, Bank of America Merrill Lynch, Bank Vontobel, Barclays Capital, Berenberg, Bryan Garnier & Co., Citigroup, Credit Suisse, Deutsche Bank, Exane BNP Paribas, Goldman Sachs, Helvea, HSBC, Jefferies, JP Morgan Cazenove, Kepler, MainFirst, Natixis, Rabo Bank, Royal Bank of Canada, UBS and Zürcher Kantonalbank.

Dividend history The Company steadily increased its dividend from CHF 0.60 for 2002 to CHF 1.50 for 2007, a level it maintained for 2008. Even during the severe recession in 2009, thanks to the healthy financial position of the Company, Adecco was in a position to pay a dividend of CHF 0.75 per share, in line with the historical pay-out ratio of 25–30% of

Adecco share price in CHF during 2012

adjusted net earnings. For 2010 a dividend of CHF 1.10 per share was paid, equivalent to a 30% pay-out ratio based on adjusted net earnings. For 2011, the pay-out ratio was increased to a range of 40–50% of adjusted net earnings and the dividend paid (CHF 1.80 per share) was the highest in the company's history. At the Annual General Meeting, the Board of Directors will propose a dividend of CHF 1.80 per share for 2012 for approval by shareholders. This amount is unchanged compared to the dividend paid for 2011 and is equivalent to a pay-out ratio of 49% based on adjusted net earnings.

Performance report After a decline of 36% in 2011, the Adecco share price started the year at CHF 39.35 and it increased in January and February, on the back of an economy which accelerated in the USA and was resilient in Germany. After the release of solid fourth quarter and full-year 2011 results, and the announcement of a new, higher pay-out range for our dividend, the share price reached the highest level of the year, CHF 49.18, at the beginning of March 2012.

A slowing European economy and the unresolved Eurozone debt crisis weighed on equity markets. At the beginning of May, Adecco's strong Q1 2012 results, showing margin improvements despite an organic decline in revenues, could not dampen worries over the uncertain and worsening macro-economic conditions. The stand-off in the Greek elections and the uncertainty over the financial stability of the Spanish banking sector further increased investors' worries about the future prospects of the global economy. This led Adecco shares to reach their lowest level in 2012, CHF 36.33, at the beginning of June.

The share price saw a strong recovery from the early June lows for two main reasons: Adecco announced a EUR 400 million share buyback programme at the end of June, with the aim of cancelling the shares. The buyback was financed with Swiss Franc long-term debt at attractive conditions. The transaction was well received by the investor community. In addition, during summer, as European leaders announced their willingness to take 'all necessary measures' to ensure the continued existence of the Euro, equity markets recovered.

The Adecco share price increased by 18% from the trough in early June to a level of CHF 43 by the end of July 2012.

The Q2 2012 results showed an accelerating rate of decline in Adecco's revenues, as a consequence of a slowing European economy, but resilient profitability. The announcement of the Outright Monetary Transactions by the European Central Bank further lifted equity markets and the Adecco share price reached CHF 46.73 by October 15, 2012. However, lowered economic forecasts for 2013 and increasing concerns about the emergence of the fiscal cliff in the USA weighed on the shares in the second part of October 2012.

A positive reaction to the Q3 2012 results at the beginning of November and progress on the negotiations to avoid the fiscal cliff in the USA led the shares to close at CHF 48.04 on December 31, 2012.

Over the year 2012, Adecco shares increased 22% and closed at CHF 48.04 on December 31, 2012, compared with CHF 39.35 on December 31, 2011. Adecco shares outperformed the Swiss Market Index (SMI) by 7% (in CHF), and also outperformed a basket of key competitors[1] in the staffing industry by 4%. Adecco's market capitalisation, based on issued shares, was CHF 9.1 billion at the end of 2012, compared with CHF 7.4 billion a year earlier.

Shareholder base Adecco has a broad investor base of over 17,000 shareholders. At the same time, the shareholder base is concentrated, with 60% of all issued shares held by institutional investors, 21% held by insiders and Adecco S.A., and only 4% held by retail investors. Some year-on-year changes were observed within the group of institutional shareholders. North American institutional shareholders increased their holdings in Adecco to 32% of shares issued at the end of 2012 compared with 30% at the end of 2011. The percentage held by European institutions declined by 3% to 27%, while the percentage of holdings by institutions from the rest of the world remained unchanged at 1%.

1 Manpower, Randstad, Kelly (market capitalisation weighted in EUR).

Share price performance comparison 2012
indexed, in EUR

01.01.2012 = 100

Investor structure

in % of shares issued	2012	2011	2010
Institutional:			
• Europe	27%	30%	35%
• North America	32%	30%	27%
• Rest of World	1%	1%	2%
Retail	4%	4%	4%
Insider and treasury	21%	29%	26%
Unassigned	15%	6%	6%

Insider and treasury holdings

as of year end 2012	in % of shares issued
Group represented by Jacobs Holding AG	18.4%
Treasury shares	2.5%
Executive Management and Board of Directors[2]	0.1%

Key data

	2012	2011
Shares issued	189,263,506	189,263,506
Treasury shares	4,653,738	18,815,105
Shares outstanding	184,609,768	170,448,401
Weighted-average shares	188,393,511[3]	190,671,723[3]
Basic earnings per share in EUR	2.00	2.72
Diluted earnings per share in EUR	2.00	2.72
Dividend per share in CHF	1.80[4]	1.80
Year end share price in CHF	48.04	39.35
Highest share price in CHF	49.18	66.05
Lowest share price in CHF	36.33	32.15
Year end market capitalisation[5] in CHF m	9,092	7,448
Price/earnings ratio[6]	19.9	11.9
Enterprise value[7]/EBITA	11.7	8.6

2 Not included are shares held by one member of the Board of Directors, who is part of the Group represented by Jacobs Holding AG.

3 Includes weighted-average outstanding shares and shares deliverable under the prepaid forward (for details refer to page 104, Note 15).

4 Proposed by the Board of Directors.

5 Based on shares issued.

6 Based on basic earnings per share and share price at year end; CHF/EUR per year end 2012: 1.21 (year end 2011: 1.22).

7 Enterprise value equals net debt plus market capitalisation at year end; CHF/EUR per year end 2012: 1.21 (year end 2011: 1.22).

Financial Review

Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Introduction

The information in this discussion and analysis should be read in conjunction with the Company's consolidated financial statements and the notes thereto that are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are included elsewhere in this Annual Report and with the disclosure concerning forward-looking statements at the end of this section.

Statements throughout this discussion and analysis using the term "the Company" refer to the Adecco Group, which comprises Adecco S.A., a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which Adecco is considered the primary beneficiary (for further details, refer to section "Principles of consolidation" in Note 1 to the consolidated financial statements).

1.1 Business and industry background

The Company is the world's leading provider of human resource services including temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services. The Company had a network of around 5,400 branches and around 32,000 full-time equivalent ("FTE") employees in over 60 countries and territories at the end of 2012. In 2012, the Company connected on average on a daily basis almost 700,000 associates with over 100,000 clients. Registered and headquartered in Switzerland and managed by a multinational team with expertise in markets worldwide, the Company delivers a broad range of human resource services to meet the needs of small, medium, and large business clients as well as those of associates.

The HR industry is fragmented and highly competitive. Customer demand is dependent upon the overall strength of the labour market as well as an established trend towards greater workforce flexibility. Appropriate regulation, particularly for temporary staffing, is beneficial for the industry and has been a driver for greater workforce flexibility. The business is also strongly influenced by the macroeconomic cycle, which typically results in growing demand for employment services during periods of economic expansion, and conversely, contraction of demand during periods of economic downturn. Due to the sensitivity to the economic cycle and the low visibility in the temporary staffing sector, forecasting demand for HR services is difficult. Typically, customers are not able to provide much advance notice of changes in their staffing needs. Responding to the customers' fluctuating staffing requirements in a flexible way is a key element of the Company's strategy, which it addresses through its diverse HR services network.

Anticipating trends in demand is also important in managing the Company's internal cost structure. This coupled with the ability to maximise overall resources and to enhance competitive advantage through the Company's wide variety of services and locations while maintaining high standards of quality to both clients and associates are key components in achieving profitability targets during any part of the economic cycle.

1.2 Organisational structure

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. The classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

1.3 Service lines

Revenues and gross profit derived from temporary staffing totalled 90% and 74% in 2012 and 91% and 76% in 2011 of the respective consolidated totals. Temporary staffing billings are generally negotiated and invoiced on an hourly basis. Temporary 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 service revenues are recognised upon rendering the services. The temporary associate is paid the net hourly amount after statutory deductions on a daily, weekly, or monthly basis. Certain other employer payroll-related costs are incurred and the net difference between the amounts billed and payroll costs incurred is reported as gross profit.

Revenues and gross profit derived from permanent placement, outsourcing, career transition (outplacement), and other services totalled 10% and 26% in 2012 and 9% and 24% in 2011 of the respective consolidated totals. The terms of outsourcing and outplacement services are negotiated with the client on a project basis and revenues are recognised upon rendering the services. For permanent placement services, the placement fee is directly negotiated with the client and revenues are recognised at the time the candidate begins full-time employment, or as the fee is earned. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations. Career transition (outplacement) and permanent placement services provide significantly higher gross margins than temporary staffing.

1.4 Key performance indicators

The Company monitors operational results through a number of additional key performance indicators besides revenues, gross profit, selling, general, and administrative expenses, and operating income before amortisation and impairment of goodwill and intangible assets and uses these measures of operational performance along with qualitative information and economic trend data to direct the Company's strategic focus.

These indicators include the following:

- Service line mix – the split between temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services.
- Business line mix – the split between General Staffing (Office, Industrial), Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), and Solutions.
- 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.
- Temporary hours sold – the volume of temporary staffing services sold.
- Temporary associates – the number of temporary associates at work.
- Clients – the number of active clients.
- Permanent placements – the number of candidates placed in permanent job positions.
- Average fee per placement – the average amount received for job placement services.
- Days sales outstanding ("DSO") – accounts receivable turnover.
- Full-time equivalent ("FTE") employees.
- Retention rate of employees, associates, and clients.
- Branches – the number of locations from which the Company offers HR services.
- Conversion ratio – operating income before amortisation and impairment of goodwill and intangible assets as a percentage of gross profit.
- Economic Value Added – residual income after cost of capital.

1.5 Seasonality

The Company's quarterly operating results are affected by the seasonality of the Company's customers' businesses. Demand for temporary staffing services historically has been lowest during the first quarter of the year.

1.6 Currency

The financial results of the Company are presented in Euro, which the Company uses as its reporting currency in recognition of the significance of the Euro to the Company's operations. In 2012, 47% of total revenues were generated in the Euro zone. Amounts shown in the consolidated statements of operations, consolidated statements of comprehensive income, and consolidated statements of cash flows are translated using average exchange rates for the period or at transaction exchange rates. In 2012, the average exchange rate for the US Dollar, British Pound, Japanese Yen, Australian Dollar, Swiss Franc, Norwegian Krone, and Canadian Dollar which comprised 18%, 9%, 8%, 2%, 2%, 2%, and 2% of total revenues, respectively, strengthened against the Euro when compared to 2011. The Company's consolidated balance sheets are translated using the year end exchange rates. At year end 2012, the Norwegian Krone, British Pound, Canadian Dollar, and Swiss Franc strengthened, the Australian Dollar was stable, whereas the US Dollar and Japanese Yen weakened against the Euro when compared to 2011.

in millions, except share and per share information

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

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

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

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

2.1 Net debt

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.

The following table highlights the calculation of net debt based upon financial measures in accordance with U.S. GAAP:

in EUR	31.12.2012	31.12.2011
Net debt		
Short-term debt and current maturities of long-term debt	541	236
Long-term debt, less current maturities	1,536	1,190
Total debt	**2,077**	**1,426**
Less:		
Cash and cash equivalents	(1,103)	(532)
Short-term investments	(2)	(2)
Net debt	**972**	**892**

2.2 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 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.

2.3 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.

3. Operating results

3.1 Overview

In 2012, the business environment and growth in demand for HR services was diverse across geographies. Revenues were flat in 2012 at EUR 20,536 or decreased by 3% in constant currency when compared to 2011.

Operating income before amortisation of intangible assets ("EBITA")[1] decreased by 11% or by 14% in constant currency from EUR 814 in 2011 to EUR 725 in 2012. The EBITA margin was 3.5% in 2012 and 4.0% in 2011. Excluding restructuring and integration costs of EUR 88 in 2012 and EUR 20 in 2011, the EBITA margin decreased by 10 basis points ("bps") from 4.1% in 2011 to 4.0% in 2012.

Operating income decreased by 12% to EUR 673 in 2012 compared to EUR 763 in 2011.

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

Net income attributable to Adecco shareholders decreased to EUR 377 in 2012 compared to EUR 519 in 2011.

3.2 Revenues

Revenues in 2012 were flat at EUR 20,536 and decreased by 3% in constant currency. On an organic basis, revenues decreased by 4% in 2012. This decrease was driven primarily by a decline in temporary staffing volume as temporary hours sold decreased by 5% to 1,193 million. Permanent placement revenues were EUR 343 in 2012, which was flat versus 2011, and decreased by 5% in constant currency. Career transition (outplacement) revenues were EUR 269 in 2012 which represents an increase of 30%, or 25% in constant currency and 1% organically.

Segment performance
The segment breakdown of revenues is presented below:

			Variance %	
in EUR	2012	2011	EUR	Constant currency
Revenues				
France	5,203	6,066	(14)	(14)
North America [1, 2]	3,800	3,442	10	2
UK & Ireland	1,936	1,707	13	6
Germany & Austria [2]	1,591	1,544	3	3
Japan [2]	1,550	1,406	10	1
Italy	934	1,032	(10)	(10)
Benelux	922	961	(4)	(4)
Nordics	840	795	6	2
Iberia	657	734	(11)	(11)
Australia & New Zealand	531	510	4	(4)
Switzerland	437	474	(8)	(10)
Emerging Markets [1]	1,825	1,638	11	10
LHH [2]	310	236	31	26
Adecco Group [2]	**20,536**	**20,545**	**0**	**(3)**

1 In 2012, Mexico, previously reported in North America, is reported under Emerging Markets. The 2011 information has been restated to conform to the current year presentation.

2 In 2012, revenues changed organically in North America by 3%, Germany & Austria by 1%, Japan by -10%, LHH by 3%, and Adecco Group by -4%.

in millions, except share and per share information

France
Revenues in France decreased by 14% to EUR 5,203 in 2012. Temporary hours sold decreased by 17% and temporary staffing services bill rates increased by 3% versus 2011. In 2012, France accounted for 25% of the Company's revenues.

North America
Revenues in North America increased by 10%, by 2% in constant currency, or by 3% organically, to EUR 3,800 in 2012. Temporary hours sold grew by 4% and bill rates decreased by 1% versus 2011 in constant currency. North America contributed 18% to the Company's revenues in 2012.

UK & Ireland
UK & Ireland's revenues increased by 13% or by 6% in constant currency, to EUR 1,936 in 2012. Temporary hours sold increased by 7% and bill rates grew by 1% in constant currency. UK & Ireland generated 9% of the Company's revenues in 2012.

Germany & Austria
Germany & Austria's revenues increased by 3% or by 1% organically to EUR 1,591 in 2012. Temporary hours sold decreased by 3% and bill rates grew by 6%. Revenues in Germany & Austria accounted for 8% of the Company's revenues in 2012.

Japan
Revenues in Japan increased by 10% or by 1% in constant currency, to EUR 1,550. Revenues decreased by 10% on an organic basis versus 2011. Temporary sales decreased by 3% in constant currency or by 14% organically. Temporary hours sold decreased by 8% and bill rates increased by 5% in constant currency. Revenues in outsourcing were up 15% in constant currency and 5% organically. In 2012, 8% of the Company's revenues were generated in Japan.

Italy
In Italy, revenues decreased by 10% to EUR 934 in 2012 as temporary hours sold decreased by 14% and bill rates grew by 4%. Italy accounted for 5% of the Company's revenues in 2012.

Benelux
In the Benelux countries, revenues decreased by 4% to EUR 922 in 2012. Temporary hours sold decreased by 6% and bill rates increased by 2%. The Benelux revenues in 2012 accounted for 4% of the Company's revenues.

Nordics
Revenues in the Nordic countries increased by 6%, or 2% in constant currency, to EUR 840. Temporary hours sold increased by 4% and the bill rates remained unchanged in constant currency. The Nordics revenues in 2012 accounted for 4% of the Company's revenues.

Iberia
In Iberia, revenues decreased by 11% to EUR 657. The temporary hours sold decreased by 18% and the bill rate increased by 4%. Revenues in outsourcing decreased by 1% compared to 2011. In 2012, Iberia contributed 3% to the Company's revenues.

Australia & New Zealand
In Australia & New Zealand, revenues increased by 4% or decreased by 4% in constant currency, to EUR 531 in 2012. Australia & New Zealand contributed 3% of the Company's revenues in 2012.

Switzerland
In Switzerland, revenues decreased by 8% or by 10% in constant currency to EUR 437. Switzerland revenues represented 2% of the Company's revenues in 2012.

Emerging Markets
In the Emerging Markets, revenues increased by 11% or by 10% in constant currency, to EUR 1,825. The Emerging Markets represented 9% of the Company's revenues in 2012.

LHH
Revenues of Lee Hecht Harrison ("LHH"), Adecco's career transition and talent development business, amounted to EUR 310, an increase of 31% or 26% in constant currency. Organically, revenues increased by 3% versus 2011. LHH represented 2% of the Company's revenues in 2012.

Business line performance

The business line breakdown of revenues is presented below:

in EUR	2012	2011	Variance % EUR	Variance % Constant currency
Revenues [1]				
Office	5,476	5,301	3	(1)
Industrial	9,955	10,642	(6)	(8)
General Staffing [2]	**15,431**	**15,943**	**(3)**	**(5)**
Information Technology	2,379	2,176	9	2
Engineering & Technical [2]	1,169	1,009	16	9
Finance & Legal	761	722	5	(1)
Medical & Science [2]	398	384	4	1
Professional Staffing [2]	**4,707**	**4,291**	**10**	**3**
Solutions [2]	**398**	**311**	**28**	**21**
Adecco Group [2]	**20,536**	**20,545**	**0**	**(3)**

1 Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. Solutions include revenues from Human Capital Solutions, Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS").

2 In 2012, revenues changed organically in General Staffing by -6%, Engineering & Technical by 3%, Medical & Science by -2%, Professional Staffing by 1%, Solutions by 4%, and Adecco Group by -4%.

General Staffing

In 2012, the Company's Office & Industrial businesses, which represented 75% of total revenues, decreased by 5% in constant currency or 6% organically to EUR 15,431.

In the Office business, revenues overall decreased by 1% in constant currency. Revenues in constant currency increased in Emerging Markets (9%), UK & Ireland (6%), and North America (5%), whereas revenues decreased in constant currency in Japan (-11%) and Nordics (-2%). Japan, Emerging Markets, North America, UK & Ireland, and Nordics generated almost 80% of the revenues in the Office business.

In the Industrial business, revenues decreased by 8% in constant currency. Revenues increased in constant currency in Emerging Markets (12%) and North America (2%) and were flat organically in Germany & Austria, whereas revenues decreased in France (-15%) and Italy (-11%). France, Germany & Austria, North America, Italy, and Emerging Markets accounted for 80% of the revenues in the Industrial business.

Information Technology

In Information Technology, the Company's revenues increased by 2% in constant currency compared to 2011. Revenues increased in constant currency in UK & Ireland (6%) and organically in North America (2%) and Japan (5%), whereas revenues declined in constant currency in Australia & New Zealand (-4%). UK & Ireland, North America, Japan, and Australia & New Zealand contributed over 85% to the business line's revenues.

Engineering & Technical

Revenues in the Company's Engineering & Technical business line increased by 9% in constant currency, or by 3% organically, compared to 2011. Revenues increased in Germany & Austria by 8% and were flat in constant currency in North America. Over 70% of the business line's revenues were generated in North America and Germany & Austria.

Finance & Legal

In Finance & Legal, the Company's revenues decreased by 1% in constant currency. Revenues increased in constant currency in North America by 7%, but declined in UK & Ireland (-13%)

in millions, except share and per share information

when compared to 2011. North America and UK & Ireland generated more than 75% of the revenues of the business line Finance & Legal.

Medical & Science
Medical & Science revenues increased by 1% in constant currency or declined by 2% organically. Compared to 2011, revenues increased in constant currency in North America (19%) and declined in France (-15%) and in constant currency in the Nordics (-19%). North America, France, and Nordics accounted for over 75% of the business line's revenues.

Solutions
The Company's Solutions revenues increased by 21% in constant currency or by 4% organically.

3.3 Gross profit

Gross profit increased by 3%, or declined by 1% in constant currency, to EUR 3,674 in 2012. Excluding acquisitions and divestitures, which had a positive impact of 20 bps, gross margin was up 30 bps. Higher gross margins in the temporary staffing business (10 bps) and the higher contribution of outplacement (10 bps) and others (10 bps) all positively impacted the gross margin.

The change in gross margin in 2012 compared to 2011 is as follows:

	%
Gross margin 2011	**17.4**
Temporary staffing	0.1
Permanent placement	–
Outplacement	0.1
Others	0.1
Acquisitions & divestitures	0.2
Gross margin 2012	**17.9**

3.4 Selling, general, and administrative expenses

During 2012, the Company maintained its emphasis on cost control. Selling, general, and administrative expenses ("SG&A") were EUR 2,949 in 2012 and increased by 7%, 3% in constant currency or 1% organically, reflecting an increase in SG&A as a percentage of revenues of 100 bps to 14.4% in 2012 from 13.4% in 2011. SG&A in 2012 included restructuring costs of EUR 83 associated with headcount reduction and branch optimisation in France, related to the merger of the Adecco and Adia networks under the single Adecco brand, in Japan and various other European countries as well as the data centre consolidation in North America. In addition, SG&A included integration costs of EUR 5 related to DBM in 2012 and of EUR 20 related to MPS and DBM in 2011.

Compensation expenses, which include restructuring costs, comprised approximately 70% of total SG&A and increased by 4% in constant currency to EUR 2,148 in 2012. The average FTE employees during 2012 decreased by 1% (organically -2%) to around 33,000 and the average number of branches during 2012 remained flat (organically -2%) at over 5,500. At year end 2012, the number of FTE employees and the number of branches were around 32,000 and 5,400, respectively.

The following table shows the average FTE employees and the average branches by segment:

	FTE employees		Branches	
	2012	% variance	2012	% variance
Segment breakdown (yearly average)				
France	5,653	(9)	1,354	(2)
North America	6,636	4	864	(1)
UK & Ireland	2,810	(3)	360	1
Germany & Austria	2,609	1	514	3
Japan	2,132	9	143	7
Italy	1,531	(3)	392	(8)
Benelux	1,454	(8)	349	2
Nordics	1,013	(4)	185	(4)
Iberia	1,427	(6)	403	1
Australia & New Zealand	474	(9)	62	(8)
Switzerland	416	(3)	98	0
Emerging Markets	5,041	4	577	5
LHH	1,518	6	217	8
Corporate	273	14		
Adecco Group	**32,987**	**(1)**	**5,518**	**0**

Marketing expenses were EUR 97 in 2012, compared to EUR 81 in 2011. Bad debt expense decreased by EUR 3 to EUR 13 in 2012.

3.5 Amortisation of intangible assets

Amortisation of intangible assets increased by EUR 1 to EUR 52 in 2012.

in millions, except share and per share information

3.6 Operating income

Operating income before amortisation of intangible assets (EBITA) decreased by 11% or by 14% in constant currency from EUR 814 in 2011 to EUR 725 in 2012. The EBITA margin was 3.5% in 2012 and 4.0% in 2011. Excluding restructuring and integration costs of EUR 88 in 2012 and EUR 20 in 2011, the EBITA margin decreased by 10 bps from 4.1% in 2011 to 4.0% in 2012.

Operating income decreased by 12% to EUR 673 in 2012 compared to EUR 763 in 2011.

The segment breakdown of operating income is presented in the following table:

			Variance %	
in EUR	2012	2011	EUR	Constant currency
Operating income				
France	103	220	(53)	(53)
North America[1]	161	146	10	2
UK & Ireland	32	32	(2)	(9)
Germany & Austria	90	110	(18)	(18)
Japan	91	80	13	3
Italy	51	60	(16)	(16)
Benelux	40	44	(9)	(9)
Nordics	30	18	65	59
Iberia	20	24	(16)	(16)
Australia & New Zealand	17	18	(6)	(14)
Switzerland	42	50	(14)	(16)
Emerging Markets[1]	63	58	10	8
LHH	82	36	131	117
Corporate expenses	(97)	(82)		
Operating income before amortisation of intangible assets (EBITA)	**725**	**814**	**(11)**	**(14)**
Amortisation of intangible assets	(52)	(51)		
Adecco Group	**673**	**763**	**(12)**	**(15)**

1 In 2012, Mexico, previously reported in North America, is reported under Emerging Markets. The 2011 information has been restated to conform to the current year presentation.

France
France's operating income decreased by 53% to EUR 103 in 2012. The operating income margin was 2.0% in 2012, a decrease of 160 bps compared to 2011. Excluding restructuring costs of EUR 60 associated with headcount reduction and branch optimisation related to the merger of the Adecco and Adia networks under the single Adecco brand (for further details refer to Note 6 to the consolidated financial statements), the operating income margin was 3.1% in 2012 compared to 3.6% in 2011.

North America
North America's operating income increased by 10%, or 2% in constant currency, to EUR 161 in 2012. The operating income margin was 4.2% in 2012, unchanged compared to 2011. Excluding restructuring costs of EUR 6 related to the data centre consolidation in North America in 2012 and integration costs relating to the MPS acquisition of EUR 4 in 2011, the operating income margin was 4.4% in 2012, unchanged compared to 2011.

UK & Ireland
UK & Ireland's operating income decreased by 2%, or by 9% in constant currency to EUR 32 in 2012. The operating income margin was 1.6% in 2012, a decrease of 30 bps compared to 2011. Included in 2012 are sponsorship costs for the London Summer Olympics and in 2011 integration costs related to the MPS acquisition of EUR 2.

Germany & Austria
Germany & Austria's operating income decreased by 18% to EUR 90 in 2012 and the operating income margin was 5.6%, a decrease of 150 bps compared to 2011. Excluding restructuring costs of EUR 10 in 2012, the operating income margin was 6.3% in 2012 compared to 7.1% in 2011.

Japan
Japan's operating income increased in 2012 by 13%, or 3% in constant currency to EUR 91. The operating income margin increased by 10 bps to 5.8% compared to 2011, positively impacted by the VSN Inc. ("VSN") acquisition (for further details refer to Note 2 to the consolidated financial statements).

Italy
In Italy, operating income declined by 16% to EUR 51 in 2012 and the operating income margin decreased by 40 bps to 5.4% compared to 2011. Excluding restructuring costs of EUR 3 in 2012, the operating income margin was 5.7% in 2012 compared to 5.8% in 2011.

Benelux
In the Benelux countries, operating income was EUR 40 in 2012, down 9% versus 2011. The operating income margin decreased by 20 bps to 4.3% in 2012 compared to 2011. Excluding restructuring costs of EUR 1 in 2012, the operating income margin was 4.5% in 2012, unchanged compared to 2011.

Nordics
Operating income in the Nordics increased by 65% or 59% in constant currency to EUR 30 in 2012. The operating income margin increased by 130 bps to 3.6% in 2012 compared to 2011. In 2011, results were negatively impacted by the exit of the nursing home outsourcing business in Norway.

Iberia
In Iberia, operating income decreased by 16% to EUR 20 in 2012. The operating income margin decreased by 20 bps to 3.0% in 2012 compared to 2011. Excluding restructuring costs of EUR 2 in 2012, the operating income margin was 3.3% in 2012 compared to 3.2% in 2011.

Australia & New Zealand
In Australia & New Zealand, operating income decreased by 6%, or by 14% in constant currency to EUR 17 in 2012 compared to 2011. The operating income margin decreased by 30 bps to 3.2% in 2012 compared to 2011.

Switzerland
In Switzerland, operating income decreased by 14% or by 16% in constant currency to EUR 42 in 2012 compared to 2011. The operating income margin declined by 80 bps to 9.7%.

Emerging Markets
In the Emerging Markets, the Company increased operating income by 10% or 8% in constant currency to EUR 63 in 2012. The operating income margin was 3.5% in 2012, unchanged compared to 2011.

LHH
In 2012, operating income in LHH increased by 131%, by 117% in constant currency or 62% organically to EUR 82. The operating income margin was 26.6% in 2012 compared to 15.1% in 2011. Integration costs relating to the DBM acquisition were EUR 5 in 2012 and EUR 14 in 2011.

3.7 Interest expense

Interest expense increased by EUR 5 to EUR 76 in 2012 compared to EUR 71 in 2011, mainly due to higher levels of outstanding debt.

3.8 Other income/(expenses), net

Other income/(expenses), net, which include interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net, amounted to an expense of EUR 13 in 2012, compared to an expense of EUR 6 in 2011. The 2012 expense includes the loss of EUR 15 on the sale of a business in North America at the end of June 2012. The 2011 expense includes the EUR 11 loss recognised in connection with the exchange and tender offers for outstanding notes completed in April 2011 (for further details refer to Note 7 to the consolidated financial statements).

3.9 Provision for income taxes

In 2012, the provision for income taxes amounted to EUR 206 and the effective tax rate was 35%. This compared to a provision for income taxes of EUR 166 and an effective tax rate of 24% in the prior year.

The Company's 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. Furthermore, it is also affected by discrete items which may occur in any given year, but are not consistent from year to year.

The effective tax rate in both years includes the positive impact from the successful resolution of prior years' audits and disputes and the expiration of the statutes of limitations.

In 2012, discrete events including the valuation allowance on the French deferred tax assets had a negative impact of approximately 4% on the tax rate. At the end of 2012, the Tax Credit and Competitive Employment Act in France ("CICE") was approved. As CICE is expected to have a negative impact for income tax purposes starting in 2013, management reassessed the recoverability of the French deferred tax assets and recorded a full valuation allowance on those assets.

The 2011 effective tax rate includes the reduction in deferred tax liabilities of EUR 31 related to distributable earnings of the Company's Japanese subsidiary following the ratification of the Swiss-Japanese Tax Treaty, which resulted in a reduction of withholding taxes payable upon distribution of dividends to Switzerland. Other discrete events had a positive impact of approximately 2% on the 2011 effective tax rate.

3.10 Net income attributable to Adecco shareholders and EPS

Net income attributable to Adecco shareholders for 2012 decreased to EUR 377 compared to EUR 519 in 2011. Basic earnings per share ("EPS") was EUR 2.00 in 2012 compared to EUR 2.72 in 2011.

4. Outlook

Given the current environment, the Company continues to focus on price discipline and the tight alignment of the cost base to revenue developments. Consequently, in 2013 the Company plans to invest EUR 30 (including EUR 24 related to restructuring plans initiated in 2012) to further optimise the cost base. Approximately one third of the investments are related to the ongoing consolidation of the data centres in North America. The remainder will be invested in further aligning the cost base to revenue developments in France and other countries.

Thanks to the Company's strong balance sheet and cash flow generation, an enhanced dividend policy has been introduced. In addition to the pay-out range of 40% to 50% of adjusted net earnings, the Company is committed to pay at least a stable dividend compared to the previous year even if the pay-out range is temporarily exceeded, barring seriously adverse economic conditions.

The Company is solidly positioned for the future. In an environment of economic uncertainty, the Company will continue to build on its strengths – its leading global position and the diversity of its service offerings. The Company will continue to take advantage of growth opportunities, with a strong focus on disciplined pricing and cost control to optimise profitability and value creation. The Company continues to be very focused on reaching a mid-term EBITA margin target of above 5.5%. Based on the good progress on its six strategic priorities and more favourable economic conditions expected towards the end of 2013, the Company is convinced that it will achieve this target in 2015.

5. Liquidity and capital resources

Currently, cash needed to finance the Company's existing business activities is primarily generated through operating activities, bank overdrafts, commercial paper, the existing multicurrency credit facility, and, when necessary, the issuance of bonds and other capital instruments.

The principal funding requirements of the Company's business include financing working capital and capital expenditures. Capital expenditures mainly comprise the purchase of computer equipment, capitalised software, and the cost of leasehold improvements.

Within the Company's working capital, trade accounts receivable, net of allowance for doubtful accounts, comprise approximately 70% of total current assets. Accounts payable, accrued salaries and wages, payroll taxes and employee benefits, and sales and value added taxes comprise approximately 65% of total current liabilities. Working capital financing needs increase as business grows.

Management believes that the ability to generate cash from operations combined with additional capital resources available is sufficient to support the expansion of existing business activities and to meet short- and medium-term financial commitments. The Company may utilise available cash resources, secure additional financing, or issue additional shares to finance acquisitions.

5.1 Analysis of cash flow statements

Cash and cash equivalents increased by EUR 571 to EUR 1,103 as of December 31, 2012. The increase was mainly due to the generation of EUR 579 in operating cash flows and the EUR 683 net proceeds from borrowings of long-term debt. This was partly offset by the acquisition of VSN in January 2012 for EUR 87, net of cash acquired, the repayment of EUR 73 of long-term debt, the EUR 256 payment of dividends, purchase of treasury shares of EUR 191, and capital expenditures of EUR 88.

Cash flows from operations are generally derived from receipt of cash from customers less payments to temporary personnel, regulatory authorities, employees, and other operating disbursements. Cash receipts are dependent on general business trends, foreign currency fluctuations, and cash collection trends measured by DSO. DSO varies significantly within the various countries in which the Company has operations, due to the various market practices within these countries. In general, an improvement in DSO reduces the balance of trade accounts receivable resulting in cash inflows from operating activities. Cash disbursement activity is predominantly associated with scheduled payroll payments to the temporary personnel. Given the nature of these liabilities, the Company has limited flexibility to adjust its disbursement schedule. Also, the timing of cash disbursements differs significantly amongst various countries.

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

in EUR	2012	2011
Summary of cash flow information		
Cash flows from operating activities	579	524
Cash used in investing activities	(197)	(317)
Cash flows from/(used in) financing activities	206	(224)

Cash flows from operating activities increased by EUR 55 to EUR 579 in 2012 compared to 2011. This increase is primarily attributable to the decrease in working capital needs and higher non-cash items, partly offset by lower income. DSO decreased to 54 days for the full year 2012 compared to 55 days for the full year 2011.

Cash used in investing activities decreased by EUR 120 to EUR 197 in 2012 compared to 2011. In 2012, the Company acquired VSN for a consideration, net of cash acquired of EUR 87 while in 2011 DBM was acquired for a consideration, net of cash acquired, of EUR 148. The Company's capital expenditures amounted to EUR 88 in 2012 and EUR 109 in 2011.

Cash flows from financing activities totalled EUR 206, compared to cash used in financing activities of EUR 224 in 2011. In 2012, the Company issued long-term debt of EUR 683, net of issuance costs and repaid long-term debt of EUR 73, whereas in 2011 the Company issued long-term debt of EUR 330, net of issuance costs and repaid long-term debt of EUR 214. The debt repayments in 2011 primarily consisted of the partial repayments of the 5-year Euro medium-term notes due in 2014 and the fixed rate notes due in 2013 resulting from the exchange and tender offers for the outstanding notes in April 2011. Furthermore, the Company paid dividends of EUR 256 and EUR 149 in 2012 and 2011, respectively and purchased treasury shares, net of disposals for EUR 191 and EUR 178, in 2012 and 2011, respectively.

5.2 Additional capital resources

As of December 31, 2012, the Company's total capital resources amounted to EUR 5,948 comprising EUR 2,077 in debt and EUR 3,871 in equity, excluding treasury shares and noncontrolling interests. Long-term debt, including current maturities, was EUR 1,872 as of December 31, 2012 and EUR 1,266 as of December 31, 2011 and includes long-term and medium-term notes, and medium-term loans. The borrowings, which are unsecured, are denominated in Euros and Swiss Francs. The borrowings outstanding as of December 31, 2012 mature in 2013, 2014, 2016, 2017, 2018, and 2020. During 2012, the Company increased its short- and long-term debt including foreign currency effects by EUR 651.

The Company maintains a French commercial paper programme ("Billet de Trésorerie programme"). Under the programme, the Company may issue short-term commercial paper up to a maximum amount of EUR 400, with maturity per individual paper of 365 days or less. As of December 31, 2012 and December 31, 2011 EUR 184 and EUR 145, respectively, were outstanding under the programme, with maturities of up to 364 days. The weighted-average interest rate on commercial paper outstanding was 0.31% and 1.31% as of December 31, 2012 and December 31, 2011, respectively.

In addition, the Company maintains a committed multicurrency revolving credit facility. The five-year revolving credit facility, which was extended in September 2012 and contains a further 1-year extension option at the discretion of the lender, has been issued by a syndicate of banks, permits borrowings up to a maximum of EUR 600 and 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 0.6% and 1.3% per annum depending on certain debt-to-EBITDA ratios. Utilisation fee of 0.25% and 0.5% applies on top of the interest rate, if drawings exceed 33.33% and 66.67% of total commitment, respectively. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of December 31, 2012 and December 31, 2011, there were no outstanding borrowings under the credit facility. As of December 31, 2012, the Company had EUR 517 available under the credit facility after utilising the EUR equivalent of EUR 83 in the form of letters of credit.

Net debt increased by EUR 80 to EUR 972 as of December 31, 2012. The calculation of net debt based upon financial measures in accordance with U.S. GAAP is presented on page 44.

Under the terms of the various short- and long-term credit agreements, the Company is subject to covenants requiring, among other things, compliance with certain financial tests and ratios. As of December 31, 2012, the Company was in compliance with all financial covenants.

For further details regarding financing arrangements refer to Note 7 to the consolidated financial statements.

The Company manages its cash position to ensure that contractual commitments are met and reviews cash positions against existing obligations and budgeted cash expenditures. 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.

The Company's current cash and cash equivalents and short-term investments are invested primarily within Europe and the USA. In most cases, there are no restrictions on the transferability of these funds among entities within the Company.

5.3 Contractual obligations

The Company's contractual obligations are presented in the following table:

in EUR	2013	2014	2015	2016	2017	Thereafter	Total
Contractual obligations by year							
Short-term debt obligations	205						205
Long-term debt obligations	336	358	1	289	291	597	1,872
Interest on debt obligations	70	47	38	32	32	15	234
Operating leases	180	127	96	74	53	62	592
Purchase and service contractual obligations	50	40	35	29	17		171
Total	**841**	**572**	**170**	**424**	**393**	**674**	**3,074**

Short-term debt obligations consist of borrowings outstanding under the French commercial paper programme and other short-term debt. Long-term debt obligations consist primarily of the EUR 333 fixed rate notes due 2013, the EUR 356 medium-term notes due 2014, the CHF 350 fixed rate notes due 2016, the CHF 350 fixed rate notes due 2017, the EUR 500 medium-term notes due 2018, and the CHF 125 fixed rate notes due 2020. These debt instruments were issued partly for acquisitions and the share buyback programme, to refinance existing debt, optimise available interest rates, and increase the flexibility of cash management.

Future minimum rental commitments under non-cancellable leases comprise the majority of the operating lease obligations of EUR 592 presented above. The Company expects to fund these commitments with existing cash and cash flows from operations. Operating leases are employed by the Company to maintain the flexible nature of the branch network.

As of December 31, 2012, the Company has future purchase and service contractual obligations of approximately EUR 171, primarily related to IT development and maintenance agreements, marketing sponsorship agreements, equipment purchase agreements, and other vendor commitments.

5.4 Additional funding requirements

The Company plans to invest approximately EUR 120 in property, equipment, and leasehold improvements for existing operations in 2013. The focus of these investments will be on information technology.

Further planned cash outflows include distribution of dividends for 2012 in the amount of CHF 1.80 per share to shareholders of record on the date of payment. The maximum amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) as of December 31, 2012 of 184,609,768 is EUR 275 (CHF 332 - based on CHF/EUR exchange rate of 1.21 as of December 31, 2012). Payment of dividends is subject to approval by shareholders at the Annual General Meeting. In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. As of December 31, 2012, 3,837,087 shares have been acquired under this share buyback programme for EUR 145. The Company plans to invest an additional EUR 255 to complete this programme.

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 735, including the letters of credit issued under the multicurrency revolving credit facility (EUR 83). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties, then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

5.5 Income taxes

The Company has reserves for taxes that may become payable in future periods as a result of tax audits. At any given time, the Company is undergoing tax audits in different tax jurisdictions, which cover multiple years. Ultimate outcomes of these audits could, in a future period, have a material impact on cash flows.

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 financial statements. An estimate of the range of the possible changes cannot be made until issues are further developed or examinations close.

5.6 Credit ratings

As of December 31, 2012, the Company's long-term credit rating was Baa3 stable outlook from Moody's and BBB stable outlook from Standard & Poor's.

6. Financial risk management – foreign currency and derivative financial instruments

The Company is exposed to market risk, primarily related to foreign exchange, interest rates, and equity market risk. Except for the equity market risk, these exposures are actively managed by the Company in accordance with written policies approved by the Board of Directors. The Company's objective is to minimise, where deemed appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. It is the Company's policy to use a variety of derivative financial instruments to hedge these exposures in the absence of natural hedges.

Given the global nature of the Company's business, the Company is exposed to the effects of changes in foreign currency exchange rates. Consequently, in order to preserve the value of assets, equity, and commitments, the Company enters into various contracts, such as foreign currency forward contracts, swaps, and cross-currency interest rate swaps, which change in value as foreign exchange rates change.

Depending on the amount of outstanding foreign currency forward contract hedges and the fluctuation of exchange rates, the settlement of these contracts may result in significant cash inflows or cash outflows.

The Company has also issued fixed rate long- and medium-term notes. Accordingly, the Company manages exposure to changes in fair value of fixed interest long-term debt through the use of derivative instruments. The terms of the interest rate swaps generally match the terms of specific debt agreements. Additional discussion of these interest rate swaps is located in Note 11 to the consolidated financial statements.

7. Controls and compliance

The Company is committed to maintaining the highest standards of ethical business conduct. The Company's Chief Human Resources Officer and the Head of Group Compliance Reporting oversee worldwide business ethics and compliance practices and report regularly on these topics, depending on the nature of the irregularities, to the Audit Committee or to the Corporate Governance Committee. In addition, the Company's Head of Group Internal Audit reports directly to the Audit Committee.

The Board of Directors and management of the Company are responsible for establishing and maintaining adequate Internal Control Over Financial Reporting. Management has assessed the effectiveness of the Company's Internal Control Over Financial Reporting as of December 31, 2012. In making this assessment, management used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2012, the Company's Internal Control Over Financial Reporting is effective.

The Company's internal control system is designed to provide reasonable assurance to the Company's management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statements preparation and presentation. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

8. Critical accounting policies, judgements, and estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to adopt accounting policies and make significant judgements and estimates. There may be alternative policies and estimation techniques that could be applied. The Company has in place a review process to monitor the application of new accounting policies and the appropriateness of estimates. Changes in estimates may result in adjustments based on changes in circumstances and the availability of new information. Therefore, actual results could differ materially from estimates. The policies and estimates discussed below either involve significant estimates or judgements or are material to the Company's financial statements. The selection of critical accounting policies and estimates has been discussed with the Audit Committee. The Company's significant accounting policies are disclosed in Note 1 to the consolidated financial statements.

8.1 Accruals and provisions

Various accruals and provisions are recorded for sales and income taxes, payroll-related taxes, pension and health liabilities, workers' compensation, profit sharing, and other similar items taking into account local legal and industry requirements. The estimates used to establish accruals and provisions are based on historical experience, information from external professionals, including actuaries, and other facts and reasonable assumptions under the circumstances. If the historical data the Company uses to establish its accruals and provisions does not reflect the Company's ultimate exposure, accruals and provisions may need to be increased or decreased and future results of operations could be materially affected.

On a routine basis, governmental agencies in the countries in which the Company operates may audit payroll tax calculations and compliance with other payroll-related regulations. These audits focus primarily on documentation requirements and the support for payroll tax remittances. Due to the nature of the Company's business, the number of people employed, and the complexity of some payroll tax regulations, the Company may be required to make some adjustments to the payroll tax remittances as a result of these audits. The Company makes an estimate of the additional remittances that may be required and records the estimate as a component of direct costs of services or SG&A, as appropriate. The estimate is based on the results of past audits, with consideration for changing business volumes and changes to the payroll tax regulations. To the extent that actual experience differs from the estimates, the Company will increase or decrease the reserve balance.

In most states of the USA, the Company is self-insured for workers' compensation claims by temporary workers. The provision recognised is based on actuarial valuations which take into consideration historical claim experience and workers' demographic and market components. Workers' compensation expense for temporary workers is included in direct costs of services. Significant weakening of the US market, changes in actuarial assumptions, increase of claims or changes in laws may require additional workers' compensation expense. Improved claim experience may result in lower workers' compensation premiums.

8.2 Allowance for doubtful accounts

The Company makes judgements as to its ability to collect outstanding receivables and provides allowances for the portion of receivables when collection becomes doubtful. Provisions are made based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are recorded at differing percentages, based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. In the event that recent history and trends indicate that a smaller or larger allowance is appropriate, the Company would record a credit or charge to SG&A during the period in which such a determination is made. Since the Company cannot predict with certainty future changes in the financial stability of its customers, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected. As of December 31, 2012 and December 31, 2011, the Company has recorded an allowance for doubtful accounts of EUR 85 and EUR 107, respectively. Bad debt expense of EUR 13 and EUR 16 was recorded in 2012 and 2011, respectively.

8.3 Income taxes

Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also provided for the future tax benefit of existing net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets in those cases when management does not believe that the realisation is more likely than not. While management believes that its judgements and estimations regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Company's future financial results.

In addition, significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions and arrangements. Although management believes that its tax positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different from amounts reflected in the income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made.

8.4 Impairment of goodwill and indefinite-lived intangible assets

The carrying value of goodwill and indefinite-lived intangible assets is reviewed annually for impairment at a reporting unit level. The annual impairment test is performed during the fourth quarter based on financial information as of October 31. In interim periods, an impairment test will be performed in the instance that an event occurs or there is a change in circumstances which would indicate that the carrying value of goodwill or indefinite-lived intangible assets may be impaired.

In step one of the goodwill impairment test, the goodwill of the reporting units is tested for impairment by comparing the carrying value of each reporting unit 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 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. No impairment was recognised in 2012 or 2011.

Indefinite-lived intangible assets are tested by comparing the fair value of the asset to the carrying value of the asset. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income. No impairment charge was recognised in 2012 or 2011 in connection to indefinite-lived intangible assets.

Determining the fair value of a reporting unit and, if necessary, its assets (including indefinite-lived intangible assets) and liabilities requires the Company to make certain estimates and judgements about assumptions which include expected revenue growth rates, profit margins, working capital levels, discount rates, and capital expenditures. Estimates and assumptions are based on historical and forecasted operational performance and consider external market and industry data.

Differences between the estimates used by management in its assessment and the Company's actual performance, as well as market and industry developments, changes in the business strategy that may lead to reorganisation of reporting units and the disposal of businesses could all result in an impairment of goodwill and indefinite-lived intangible assets.

8.5 Impairment of definite-lived intangible assets

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. No impairment charge was recognised in 2012 or 2011 in connection with definite-lived intangible assets.

8.6 Accounting for restructuring costs

In recording severance reserves for ongoing benefits, the Company accrues a liability when the following conditions have been met: the employees' rights to receive compensation are attributable to employees' services already rendered, the obligation relates to rights that vest or accumulate, payment of the compensation is probable, and the amount can be reasonably estimated. For one-time termination benefits which require employees to render services beyond a "minimum retention period", liabilities associated with employee termination benefits are recorded as employees render services over the future service period. Otherwise, liabilities associated with employee one-time termination benefits are recorded at the point when management has taken a decision to terminate a specific group of employees, the employees have been notified of the decision, and the type and amount of benefits to be received by the employees is known. Liabilities for contract termination and other exit costs are recorded at fair value when a contract is formally terminated in accordance with the contract term, or the Company ceases using the right conveyed by the contract.

8.7 Defined benefit pension plans

In order to determine the ultimate obligation under its defined benefit pension plans, the Company estimates the future cost of benefits and attributes that cost to the time period during which each covered employee works. Various actuarial assumptions must be made in order to predict and measure costs and obligations many years prior to the settlement date, the most significant ones being the interest rates used to discount the obligations of the plans and the long-term rates of return on the plans' assets. Management, along with third-party actuaries and investment managers, review all of these assumptions on an ongoing basis to ensure that the most reasonable information available is being considered.

8.8 Contingencies

In the ordinary course of business conducted around the world, the Company faces loss contingencies that may result in the recognition of a liability or the write-down of an asset. Management periodically assesses these risks based on information available and assessments from external professionals.

The Company is currently involved in various claims and legal proceedings. Periodically, the status of each significant loss contingency is reviewed to assess the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, a liability for the estimated loss is recorded. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, the potential liability related to pending claims and litigation is reassessed and, if required, estimates are revised. Such revisions in the estimates of the potential liabilities could have a material impact on results of operations and the financial position of the Company.

9. Forward-looking statements

Information in this Annual 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 Annual Report are based on information available to the Company as of March 12, 2013, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Annual Report are not guarantees of future performance and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

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

Adecco Group – Selected financial information

in millions, except share and per share information

For the fiscal years (in EUR)	2012	2011	2010	2009	2008
Statements of operations					
Revenues	20,536	20,545	18,656	14,797	19,965
Amortisation of intangible assets	(52)	(51)	(55)	(42)	(44)
Impairment of goodwill and intangible assets				(192)	(116)
Operating income	673	763	667	65	748
Net income attributable to Adecco shareholders	377	519	423	8	495

As of (in EUR)	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Balance sheets					
Cash and cash equivalents and short-term investments	1,105	534	554	1,460	581
Trade accounts receivable, net	3,492	3,725	3,541	2,560	3,046
Goodwill	3,517	3,455	3,273	2,657	2,666
Total assets	9,614	9,354	8,879	7,831	7,530
Short-term debt and current maturities of long-term debt	541	236	217	456	56
Accounts payable and accrued expenses	3,332	3,545	3,472	2,716	3,053
Long-term debt, less current maturities	1,536	1,190	1,088	1,114	1,142
Total liabilities	5,915	5,543	5,312	4,717	4,732
Total shareholders' equity	3,699	3,811	3,567	3,114	2,798

For the fiscal years (in EUR)	2012	2011	2010	2009	2008
Cash flows from operations					
Cash flows from operating activities	579	524	455	477	1,054
Cash used in investing activities	(197)	(317)	(1,020)	(278)	(210)
Cash flows from/(used in) financing activities	206	(224)	(385)	652	(800)
Other indicators					
Capital expenditures	88	109	105	92	106

As of	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Other indicators					
Net debt (in EUR)[1]	972	892	751	110	617
Additional statistics					
Number of FTE employees at year end (approximate)	32,000	33,000	32,000	28,000	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. The calculation of net debt based upon financial measures in accordance with U.S. GAAP is presented on page 44.

Adecco Group – Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	31.12.2012	31.12.2011
Assets			
Current assets:			
• Cash and cash equivalents		1,103	532
• Short-term investments		2	2
• Trade accounts receivable, net	3	3,492	3,725
• Other current assets	14	308	424
Total current assets		**4,905**	**4,683**
Property, equipment, and leasehold improvements, net	4	291	313
Other assets	14	331	310
Intangible assets, net	2, 5	570	593
Goodwill	2, 5	3,517	3,455
Total assets		**9,614**	**9,354**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses:			
• Accounts payable		575	541
• Accrued salaries and wages		817	904
• Accrued payroll taxes and employee benefits		784	887
• Accrued sales and value added taxes		397	470
• Accrued income taxes		44	65
• Other accrued expenses	14	715	678
• Total accounts payable and accrued expenses	6	3,332	3,545
• Short-term debt and current maturities of long-term debt	7	541	236
Total current liabilities		**3,873**	**3,781**
Long-term debt, less current maturities	7	1,536	1,190
Other liabilities	14	506	572
Total liabilities		**5,915**	**5,543**
Shareholders' equity			
Adecco shareholders' equity:			
• Common shares	8	118	118
• Additional paid-in capital	8	1,616	2,459
• Treasury shares, at cost	8	(175)	(706)
• Retained earnings		2,294	2,080
• Accumulated other comprehensive income/(loss), net	8	(157)	(143)
Total Adecco shareholders' equity		**3,696**	**3,808**
Noncontrolling interests		3	3
Total shareholders' equity		**3,699**	**3,811**
Total liabilities and shareholders' equity		**9,614**	**9,354**

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

Adecco Group –
Consolidated statements of operations

in millions, except share and per share information

For the fiscal years ended December 31 (in EUR)	Note	2012	2011	2010
Revenues	16	20,536	20,545	18,656
Direct costs of services		(16,862)	(16,979)	(15,327)
Gross profit		**3,674**	**3,566**	**3,329**
Selling, general, and administrative expenses	6	(2,949)	(2,752)	(2,607)
Amortisation of intangible assets	5	(52)	(51)	(55)
Operating income	16	**673**	**763**	**667**
Interest expense		(76)	(71)	(63)
Other income/(expenses), net	13	(13)	(6)	(1)
Income before income taxes		**584**	**686**	**603**
Provision for income taxes	14	(206)	(166)	(179)
Net income		**378**	**520**	**424**
Net income attributable to noncontrolling interests		(1)	(1)	(1)
Net income attributable to Adecco shareholders		**377**	**519**	**423**
Basic earnings per share	15	**2.00**	**2.72**	**2.20**
Basic weighted-average shares	15	188,393,511	190,671,723	192,113,079
Diluted earnings per share	15	**2.00**	**2.72**	**2.17**
Diluted weighted-average shares	15	188,555,377	190,805,080	195,596,325

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

Adecco Group – Consolidated statements of comprehensive income

in millions, except share and per share information

For the fiscal years ended December 31 (in EUR)	Note	2012	2011	2010
Net income		378	520	424
Other comprehensive income/(loss), net of tax:				
• Currency translation adjustment (net of tax of, 2012: less than EUR 1, 2011: EUR 1, 2010: EUR 6)		(12)	56	94
• Change in pension prior years' service costs (net of tax of, 2012: EUR (2), 2011: EUR 4, 2010: less than EUR 1)	10		(8)	
• Change in net (gain)/loss on pensions (net of tax of, 2012: EUR 1, 2011: EUR 2, 2010: EUR 2)	10	(2)	(9)	(6)
• Change in fair value of cash flow hedges	11		2	(1)
Total other comprehensive income/(loss)		(14)	41	87
Total comprehensive income		**364**	**561**	**511**
Less comprehensive income attributable to noncontrolling interests		(1)	(1)	(1)
Comprehensive income attributable to Adecco shareholders		**363**	**560**	**510**

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

Adecco Group –
Consolidated statements of cash flows

in millions, except share and per share information

For the fiscal years ended December 31 (in EUR)	2012	2011	2010
Cash flows from operating activities			
Net income	378	520	424
Adjustments to reconcile net income to cash flows from operating activities:			
• Depreciation and amortisation	155	144	142
• Bad debt expense	13	16	12
• Stock-based compensation	14	12	5
• Deferred tax provision/(benefit)	30	(52)	5
• Other, net	25	19	25
Changes in operating assets and liabilities, net of acquisitions:			
• Trade accounts receivable	205	(151)	(667)
• Accounts payable and accrued expenses	(186)	17	460
• Other assets and liabilities	(55)	(1)	49
Cash flows from operating activities	**579**	**524**	**455**
Cash flows from investing activities			
Capital expenditures	(88)	(109)	(105)
Proceeds from sale of property and equipment	6	4	1
Acquisition of VSN, net of cash acquired	(87)		
Acquisition of DBM, net of cash acquired		(148)	
Acquisition of MPS, net of cash acquired			(831)
Cash settlements on derivative instruments	(11)	(59)	(51)
Other acquisition and investing activities, net	(17)	(5)	(34)
Cash used in investing activities	**(197)**	**(317)**	**(1,020)**

For the fiscal years ended December 31 (in EUR)	2012	2011	2010
Cash flows from financing activities			
Borrowings of short-term debt under the commercial paper programme	901	919	295
Repayment of short-term debt under the commercial paper programme	(863)	(927)	(145)
Borrowings of short-term debt under the multicurrency revolving credit facility			346
Repayment of short-term debt under the multicurrency revolving credit facility			(341)
Other net increase/(decrease) in short-term debt	5	(1)	1
Borrowings of long-term debt, net of issuance costs	683	330	
Repayment of long-term debt	(73)	(214)	(478)
Dividends paid to shareholders	(256)	(149)	(91)
Proceeds from sale/(purchase) of treasury shares, net	(191)	(178)	28
Cash settlements on derivative instruments	1	2	
Other financing activities, net	(1)	(6)	
Cash flows from/(used in) financing activities	**206**	**(224)**	**(385)**
Effect of exchange rate changes on cash	**(17)**		**41**
Net increase/(decrease) in cash and cash equivalents	**571**	**(17)**	**(909)**
Cash and cash equivalents:			
• Beginning of year	532	549	1,458
• End of year	1,103	532	549
Supplemental disclosures of cash paid			
Cash paid for interest	71	56	95
Cash paid for income taxes	251	180	98

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

Adecco Group – 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	Non-controlling interests	Total shareholders' equity
January 1, 2010	**118**	**2,597**	**(561)**	**1,229**	**(271)**	**2**	**3,114**
Comprehensive income:							
Net income				423		1	424
Other comprehensive income/(loss)					87		87
Total comprehensive income							**511**
Stock-based compensation		5					5
Treasury share transactions			28				28
Cash dividends, CHF 0.75 per share				(91)			(91)
Acquisition of noncontrolling interests						(1)	(1)
Other			1				1
December 31, 2010	**118**	**2,602**	**(532)**	**1,561**	**(184)**	**2**	**3,567**
Comprehensive income:							
Net income				519		1	520
Other comprehensive income/(loss)					41		41
Total comprehensive income							**561**
Stock-based compensation		12					12
Vesting of RSU awards		(4)	4				
Treasury share transactions			(178)				(178)
Cash dividends, CHF 1.10 per share		(149)					(149)
Other		(2)					(2)
December 31, 2011	**118**	**2,459**	**(706)**	**2,080**	**(143)**	**3**	**3,811**
Comprehensive income:							
Net income				377		1	378
Other comprehensive income/(loss)					(14)		(14)
Total comprehensive income							**364**
Settlement of prepaid forward sale of Adecco S.A. shares, net of tax of EUR 10		(587)	715	(160)			(32)
Settlement of call spread option on Adecco S.A. shares		1	(1)				
Call option			(37)				(37)
Stock-based compensation		14					14
Vesting of share awards		(14)	11				(3)
Treasury shares purchased on second trading line			(145)				(145)
Other treasury share transactions			(12)	(3)			(15)
Cash dividends, CHF 1.80 per share		(256)					(256)
Dividends paid to noncontrolling interests						(1)	(1)
Other		(1)					(1)
December 31, 2012	**118**	**1,616**	**(175)**	**2,294**	**(157)**	**3**	**3,699**

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

Adecco Group – Notes to consolidated financial statements

in millions, except share and per share information

Note 1 • The business and summary of significant accounting policies

Business

The consolidated financial statements include Adecco S.A., a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which Adecco is considered the primary beneficiary (collectively, "the Company"). The Company's principal business is providing human resource services including temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services to businesses and organisations throughout Europe, North America, Asia Pacific, South America, and Africa. At the end of 2012, the Company's worldwide network consists of around 5,400 branches and around 32,000 full-time equivalent employees in over 60 countries and territories.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. The classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

Basis of presentation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the provisions of Swiss law.

Reporting currency

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.

Foreign currency translation

The Company's operations are conducted in various countries around the world and the financial statements of foreign subsidiaries are reported in the applicable foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the Euro, the reporting currency, for inclusion in the Company's consolidated financial statements. Income, expenses, and cash flows are translated at average exchange rates prevailing during the fiscal year or at transaction exchange rates, and assets and liabilities are translated at fiscal year end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity. Exchange gains and losses on intercompany balances that are considered permanently invested are also included in equity.

Principles of consolidation

The consolidated financial statements include 100% of the assets, liabilities, revenues, expenses, income, loss, and cash flows of Adecco S.A., its consolidated subsidiaries and entities for which the Company has been determined to be the primary beneficiary under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "Consolidation" ("ASC 810"). As of December 31, 2012, the consolidated subsidiaries include all majority-owned subsidiaries of the Company, however prior to December 1, 2012, they did not include the variable interest entity Adecco Investment (Bermuda) Ltd ("Adecco Investment") – as discussed below. Noncontrolling interests for entities fully consolidated but not wholly owned by the Company are accounted for in accordance with ASC 810 and are reported as a component of equity. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company records investments in affiliates over which it is able to exercise significant influence using the equity method of accounting. The cost method of accounting is applied for investments in entities which do not have readily determinable fair values and over which the Company is not able to exercise significant influence (generally investments in which the Company's ownership is less than 20%).

The Company accounts for variable interest entities ("VIEs") in accordance with ASC 810 which requires the consolidation of a VIE in which an entity is considered the primary beneficiary. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. An entity is required to perform a qualitative and a quantitative analysis to determine whether it has controlling financial interest in a VIE.

On November 26, 2009, Adecco Investment, a wholly owned subsidiary of the Company, issued CHF 900 Senior Secured Limited Recourse Mandatory Convertible Bonds ("MCB") due on November 26, 2012. The bonds converted into 19,131,064 shares of Adecco S.A. The number of shares delivered was calculated as defined in the prospectus and were adjusted for dividend payments on the shares of Adecco S.A. over the lifetime of the MCB. At maturity, the calculated conversion price was CHF 47.03 per share (not considering the early conversion of the MCB), whereas at issuance of the MCB the minimum conversion price was CHF 50.50 per share and the maximum conversion price was CHF 60.60 per share. The bonds had an annual coupon of 6.5%.

In 2009, Adecco Investment entered into a prepaid forward contract ("prepaid forward") with the Company, where it originally acquired 17,821,782 shares of the Company for EUR 587 (CHF 887), net of costs. The strike price of the prepaid forward was adjusted for dividend payments on the shares of Adecco S.A. over the lifetime of the MCB. In accordance with the terms of the prepaid forward, Adecco Investment was to receive the shares of Adecco S.A. from the Company with the settlement of the prepaid forward. Adecco Investment financed the coupon payments with EUR 108 (CHF 164) from the sale of a call spread option ("call spread option") to Adecco Financial Services (Bermuda) Ltd, a wholly owned consolidated subsidiary of the Company. The call spread option gave the Company the right to benefit from appreciation of the shares underlying the prepaid forward between floor and cap defined in the agreement. In 2012, the call spread option was settled in shares, reducing the net number of shares the Company had to deliver in combination with the prepaid forward. In 2012, the Company delivered 19,157,073 shares of Adecco S.A. to Adecco Investment upon settlement of the prepaid forward and received 26,009 shares from Adecco Investment upon settlement of the call spread option. The shares were delivered out of treasury shares.

In addition, in 2009, the Company made a payment of EUR 8 (CHF 12) to Adecco Investment, which was treated as a deemed capital contribution. The number of shares underlying the prepaid forward, the call spread option, and the MCB were subject to anti-dilution provisions. The bondholders only had recourse against the prepaid forward. Subsequently, Adecco Investment granted a loan of EUR 116 (CHF 176) to the Company, which has been fully repaid by November 26, 2012.

Prior to the settlement of the call spread option on November 26, 2012, the Company had a variable interest in Adecco Investment related to the call spread option. The assets of Adecco Investment consisted of the prepaid forward and a loan to the Company of EUR 5 (CHF 6) as of November 26, 2012 (EUR 76 [CHF 92] as of December 31, 2011). The call spread option only absorbed variability caused by changes in the fair value of the shares to be delivered by the Company under the prepaid forward and therefore the Company was not exposed to any overall variability due to the call spread option. The prepaid forward and the call spread option are recorded as equity instruments in the Company's consolidated financial statements. The Company also owns the common shares of Adecco Investment in the amount of USD 10 thousand and a deemed capital contribution of EUR 8 (CHF 12), which is not a variable interest because these investments are not at risk as they were loaned back to the Company. As of November 26, 2012 and December 31, 2011, the Company had an investment in Adecco Investment with a carrying amount of EUR 5 recorded within other assets. Prior to the settlement of the call spread option, the Company did not consolidate Adecco Investment because it did not have an obligation to absorb any losses or the right to receive any benefits which did not result from an equal and offsetting gain or loss incurred by the Company through the prepaid forward and the loan agreement described above. Upon settlement of the call spread option on November 26, 2012, the Company became the primary beneficiary of Adecco Investment. Consequently, the Company has consolidated Adecco Investment from December 2012.

Use of estimates

The preparation of financial statements in conformity with U.S. 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.

Recognition of revenues

The Company generates revenues from sales of temporary staffing services, permanent placement services, outsourcing services, career transition (outplacement), and other services. Revenues are recognised on the accrual basis and are reported net of any sales taxes. Allowances are established for estimated discounts, rebates, and other adjustments and are recorded as a reduction of sales.

Revenues related to temporary staffing services are generally negotiated and invoiced on an hourly basis. Temporary 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 service revenues are recognised upon rendering the services.

Revenues related to permanent placement services are generally recognised at the time the candidate begins full-time employment, or as the fee is earned. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations.

Revenues related to outsourcing services (including Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS")), career transition (outplacement), and other services are negotiated with the client on a project basis and are recognised upon rendering the services. Revenues invoiced prior to providing services are deferred and recognised in other current liabilities until the services are rendered.

The Company presents revenues and the related direct costs of services in accordance with ASC 605-45, "Revenue Recognition - Principal Agent Considerations" ("ASC 605-45"). For sales arrangements in which the Company acts as a principal in the transaction and has risks and rewards of ownership (such as the obligation to pay temporary personnel and the risk of loss for collection and performance or pricing adjustments), the Company reports gross revenues and gross direct costs. Under arrangements where the Company acts as an agent as is generally the case in most MSP contracts, revenues are reported on a net basis.

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.

Marketing costs

Marketing costs totalled EUR 97, EUR 81, and EUR 68 in 2012, 2011, and 2010, respectively. These costs are included in SG&A and are generally expensed as incurred.

Cash equivalents 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.

Trade accounts receivable

Trade accounts receivable are recorded at net realisable value after deducting an allowance for doubtful accounts. The Company makes judgements on an entity-by-entity basis as to its ability to collect outstanding receivables and provides an allowance for doubtful accounts based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing percentages based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. Where available and when cost effective, the Company utilises credit insurance. Accounts receivable balances are written off when the Company determines that it is unlikely that future remittances will be received, or as permitted by local law.

Property, equipment, and leasehold improvements

Property and equipment are carried at historical cost and are depreciated on a straight-line basis over their estimated useful lives (generally three to ten years for furniture, fixtures, and office equipment; three to five years for computer equipment and software; and twenty to forty years for buildings). Leasehold improvements are stated at cost and are depreciated over the shorter of the useful life of the improvement or the remaining lease term, which includes the expected lease renewal. Expenditures for repairs and maintenance are charged to expense as incurred.

Capitalised software costs
The Company capitalises purchased software as well as internally developed software. Internal and external costs incurred to develop internal use computer software during the application development stage are capitalised. Application development stage costs generally include software configuration, coding, installation, and testing. Costs incurred for maintenance, testing minor upgrades, and enhancements are expensed as incurred. Capitalised software costs are included in property, equipment, and leasehold improvements, net. Capitalised costs are amortised on a straight-line basis over the estimated useful life commencing when the software is placed into service, generally three to five years.

Goodwill and indefinite-lived intangible assets
Goodwill represents the excess of the purchase price in a business combination over the value assigned to the net tangible and identifiable intangible assets of businesses acquired less liabilities assumed. In accordance with ASC 350, "Intangibles – Goodwill and Other" ("ASC 350"), goodwill and indefinite-lived intangible assets are not amortised. Rather, the carrying value of goodwill and indefinite-lived intangible assets is tested annually for impairment.

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 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.

Indefinite-lived intangible assets are tested by comparing the fair value of the asset to the carrying value of the asset. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income.

Definite-lived intangible assets
In accordance with ASC 805, "Business Combinations" ("ASC 805"), purchased identifiable intangible assets are capitalised at fair value as of the acquisition date. Intangible assets with definite lives, primarily customer relationships, are generally amortised on a straight-line basis over the estimated period in which benefits are received, which generally ranges from one to ten years.

Impairment of long-lived assets including definite-lived intangible assets
The Company evaluates long-lived assets, including intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets" ("ASC 360-10-35-15"). 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.

Accounting for restructuring costs
In recording severance reserves for ongoing benefits, the Company accrues a liability when the following conditions have been met: the employees' rights to receive compensation are attributable to employees' services already rendered, the obligation relates to rights that vest or accumulate, payment of the compensation is probable, and the amount can be reasonably estimated. For one-time termination benefits which require employees to render services beyond a "minimum retention period", liabilities associated with employee termination benefits are recorded as employees render services over the future service period. Otherwise, liabilities associated with employee one-time termination benefits are recorded at the point when management has taken a decision to terminate a specific group of employees, the employees have been notified of the decision and the type and amount of benefits to be received by the employees is known. Liabilities for contract termination and other exit costs are recorded at fair value when a contract is formally terminated in accordance with the contract term, or the Company ceases using the right conveyed by the contract.

Income taxes

The Company accounts for income taxes and uncertainty in income taxes recognised in the Company's financial statements in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Current liabilities and assets are recognised for the estimated payable or refundable taxes on the tax returns for the current year. Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and include the future tax benefit of existing net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against deferred tax assets in those cases when management does not believe that the realisation is more likely than not. While management believes that its judgements and estimates regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Company's future financial results.

In addition, significant judgement is required in determining the worldwide provision for income taxes. In the ordinary course of a global business, there are many transactions for which the ultimate tax outcome is uncertain. Many of these uncertainties arise as a consequence of intercompany transactions and arrangements. Although management believes that its tax return positions are supportable, no assurance can be given that the final outcome of these matters will not be materially different from amounts reflected in the income tax provisions and accruals. Such differences could have a material effect on the income tax provisions or benefits in the periods in which such determinations are made.

Earnings per share

In accordance with ASC 260, "Earnings per Share" ("ASC 260"), basic earnings per share is computed by dividing net income attributable to Adecco shareholders by the number of weighted-average shares for the fiscal year. Diluted earnings per share reflects the maximum potential dilution that could occur if dilutive securities, such as stock options, non-vested shares or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income attributable to Adecco shareholders.

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, other 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.

Fair value measurement

The Company accounts for assets and liabilities which are required to be recorded at fair value in accordance with ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). Fair value is defined by ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Company measures fair value using unadjusted quoted market prices. If quoted market prices are not available, fair value is based upon internally developed models that use, whenever possible, current market-based parameters such as interest rate curves and currency rates. The Company also utilises independent third-party pricing services. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

New accounting guidance

In May 2011, the FASB issued new accounting guidance on Fair Value Measurement. This guidance modifies certain principles for measuring fair value, clarifies existing concepts, and requires additional disclosures. This guidance is effective for fiscal years beginning after December 15, 2011. The adoption of this guidance on January 1, 2012 did not have a significant impact on the consolidated financial statements.

In June 2011, the FASB issued new accounting guidance regarding the presentation of comprehensive income. This was revised in a further update in December 2011. The new guidance requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted this guidance on January 1, 2012 and has elected to present two separate consecutive statements.

In September 2011, the FASB issued Accounting Standards Update ("ASU") 2011-08, "Intangibles – Goodwill and Other, Testing Goodwill for Impairment" ("ASU 2011-08"). Under the amendments of ASU 2011-08, an entity is permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. The Company did not select this option in performing the 2012 annual goodwill impairment test.

In July 2012, the FASB issued ASU 2012-02, "Intangibles – Goodwill and Other, Testing Indefinite-Lived Intangible Assets for Impairment" ("ASU 2012-02"). The amendments under ASU 2012-02 permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, "Intangibles – Goodwill and Other – General Intangibles Other than Goodwill". The Company did not select this option in performing the 2012 annual impairment test of its indefinite-lived intangibles.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). The amendments under ASU 2013-02 require an entity to provide additional disclosures about amounts reclassified out of accumulated other comprehensive income. This guidance is effective for fiscal years beginning after December 15, 2012. The Company will adopt this guidance on January 1, 2013 and does not expect it to have an impact on the consolidated financial statements.

Presentation and reclassifications

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

Other disclosures required by Swiss law

in EUR	2012	2011
Personnel expenses	2,148	1,998[1]

1 Restated.

The detailed disclosures regarding the executive remuneration that are required by Swiss law are included in Note 8 to Adecco S.A. (Holding Company) financial statements and in the Remuneration Report.

The fire insurance value of property, equipment, and leasehold improvements amounted to EUR 717 and EUR 696 as of December 31, 2012 and December 31, 2011, respectively.

in millions, except share and per share information

Note 2 • Acquisitions

The Company made several acquisitions in 2012, 2011, and 2010. With the exception of the MPS Group ("MPS") acquisition in 2010, the Company does not consider any of its 2012, 2011, or 2010 acquisition transactions to be material, individually or in the aggregate, to its consolidated balance sheets or results of operations. MPS revenues and net income attributable to Adecco shareholders included in the 2010 consolidated operating results since the acquisition date amount to EUR 1,183 and EUR 31, respectively.

The following table illustrates the aggregate impact of the 2012 and 2011 acquisitions:

in EUR	2012	2011
Impact of acquisitions		
Net tangible assets acquired	41	(6)
Identified intangible assets	38	55
Goodwill	88	131
Deferred tax liabilities	(12)	(19)
Total consideration	**155**	**161**

In 2012, the Company acquired all outstanding common shares of VSN Inc ("VSN"), a leading provider of professional staffing services in Japan, for EUR 87, net of EUR 34 cash acquired. As a result of the VSN acquisition, Adecco has doubled its exposure to professional staffing in Japan and has reinforced its strong position in an attractive structural growth market. Goodwill of EUR 66 and intangible assets of EUR 27 were recorded in connection with VSN. The purchase price was funded with internal resources. VSN was consolidated by the Company as of January 6, 2012, and the results of VSN's operations have been included in the consolidated financial statements since January 2012. The goodwill of EUR 66 arising from the acquisition consists largely of acquired expertise in professional staffing and increased penetration in the professional staffing market.

In 2011, the Company acquired all outstanding common shares of Drake Beam Morin, Inc ("DBM") for EUR 148, net of EUR 8 cash acquired. As a result of this acquisition, EUR 128 and EUR 53 of goodwill and intangible assets, respectively, were recorded. DBM is a leading global service provider operating through several countries and offers strategic human resources solutions helping organisations align their workforces to meet changing business needs. The purchase price was funded with internal resources. DBM was consolidated by the Company as of August 31, 2011, and the results of DBM's operations have been included in the consolidated financial statements since September 2011. The goodwill of EUR 128 arising from the acquisition consists largely of the synergies and economies of scale expected from combining operations of Adecco and DBM.

Total acquisition related costs expensed in 2012 were not significant and amounted to EUR 2 and EUR 7, in 2011 and 2010, respectively. Acquisition related costs are included in SG&A within the consolidated statement of operations.

Note 3 • Trade accounts receivable

in EUR	31.12.2012	31.12.2011
Trade accounts receivable	3,577	3,832
Allowance for doubtful accounts	(85)	(107)
Trade accounts receivable, net	**3,492**	**3,725**

Note 4 • Property, equipment, and leasehold improvements

in EUR	31.12.2012 Gross	31.12.2012 Accumulated depreciation	31.12.2011 Gross	31.12.2011 Accumulated depreciation
Land and buildings	41	(16)	48	(21)
Furniture, fixtures, and office equipment	159	(131)	157	(126)
Computer equipment and software	769	(595)	737	(558)
Leasehold improvements	264	(200)	272	(196)
Total property, equipment, and leasehold improvements	**1,233**	**(942)**	**1,214**	**(901)**

Depreciation expense was EUR 103, EUR 93, and EUR 87 for 2012, 2011, and 2010, respectively.

Computer equipment and software includes the net book value of capitalised software costs of EUR 133 and EUR 130[1], as of December 31, 2012 and December 31, 2011, respectively.

In 2012, the Company recorded EUR 42 depreciation expense in connection with capitalized software.

1 Restated.

Note 5 • Goodwill and intangible assets

The changes in the carrying amount of goodwill for the years ended December 31, 2012 and December 31, 2011, are as follows:

in EUR	France	North America[1]	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other[1]	Total
Changes in goodwill										
January 1, 2011	**237**	**963**	**226**	**1,249**	**34**	**–**	**95**	**115**	**354**	**3,273**
Additions		1		1				128	1	131
Currency translation adjustment		31	7		3			10	1	52
Other	(1)									(1)
December 31, 2011	**236**	**995**	**233**	**1,250**	**37**	**–**	**95**	**253**	**356**	**3,455**
Additions		1		19	66			2		88
Disposals		(7)								(7)
Currency translation adjustment		(16)	6		(13)			(2)	6	(19)
December 31, 2012	**236**	**973**	**239**	**1,269**	**90**	**–**	**95**	**253**	**362**	**3,517**

1 In 2012, Mexico, previously reported in North America, is reported under Emerging Markets. The 2011 information has been restated to conform to the current year presentation.

in millions, except share and per share information

As of December 31, 2012 and December 31, 2011, the gross goodwill amounted to EUR 3,701 and EUR 3,638, respectively. As of December 31, 2012 and December 31, 2011, accumulated impairment charges amounted to EUR 184 and EUR 183, respectively, impacted only by fluctuations in exchange rates.

The Company performed its annual impairment test of goodwill in the fourth quarter of 2012, 2011, and 2010 and determined that there was no indication of impairment.

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% to 2.5% depending on the long-term growth prospects of the individual markets. For each reporting unit projected cash flows are discounted to their net present values. Discount rates used during the Company's goodwill impairment tests in 2012, 2011, and 2010 ranged from 6.1% to 14.0%.

The carrying amounts of other intangible assets as of December 31, 2012 and December 31, 2011 are as follows:

	31.12.2012		31.12.2011	
in EUR	Gross	Accumulated amortisation	Gross	Accumulated amortisation
Intangible assets				
Marketing related (trade names)	432	(34)	424	(32)
Customer base	410	(258)	395	(213)
Contract	23	(5)	22	(4)
Other	4	(2)	2	(1)
Total intangible assets	**869**	**(299)**	**843**	**(250)**

The carrying amount of indefinite-lived intangible assets was EUR 399 and EUR 390 as of December 31, 2012 and December 31, 2011, respectively. Indefinite-lived intangible assets consist mainly of trade names.

No definite-lived intangible assets have a residual value. The estimated aggregate amortisation expense related to definite-lived intangible assets is EUR 43 in 2013, EUR 37 in 2014, EUR 29 in 2015, EUR 19 in 2016, EUR 14 in 2017, and EUR 29 after year 2017. The weighted-average amortisation period for customer base intangible assets is five to ten years.

The Company performed its annual impairment test of indefinite-lived intangible assets in the fourth quarter of 2012, 2011, and 2010 and determined that there was no indication of impairment.

Note 6 • Restructuring

In 2012, the Company launched restructuring measures in France to merge the networks of Adecco and Adia under the single Adecco brand in order to further strengthen its position in France and to ensure sustainable profitability. In addition, the Company incurred restructuring costs in 2012 in Japan and various other European countries in connection with headcount reductions and branch optimisation as well as for the data centre consolidation in North America.

Total restructuring costs incurred by the Company in 2012 amounted to EUR 83. Restructuring expenses are recorded in SG&A and represent mainly costs related to headcount reductions and branch optimisation. The Company expects to incur additional EUR 24 in 2013 in connection with these plans.

The following table shows the total amount of costs incurred by segment in connection with these restructuring programmes:

in EUR	**2012**
Restructuring costs	
France	60
North America	6
Germany & Austria	10
Japan	1
Italy	3
Benelux	1
Other	2
Total restructuring costs	**83**

in millions, except share and per share information

The changes in restructuring liabilities in connection with the 2012 plans for the period ended December 31, 2012 are as follows:

in EUR	Restructuring liabilities
Restructuring costs	83
Cash payments	(30)
Write-off of fixed assets and other	(3)
December 31, 2012	**50**

As of December 31, 2012, restructuring liabilities in connection with these plans of EUR 50 were recorded in accounts payable and accrued expenses.

Note 7 • Financing arrangements

Short-term debt

The Company's short-term debt consists of borrowings under the French commercial paper programme and other short-term debt.

French commercial paper
In August 2010, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, established a French commercial paper programme ("Billet de Trésorerie programme"). Under the programme, Adecco International Financial Services BV may issue short-term commercial paper up to a maximum amount of EUR 400, with maturity per individual paper of 365 days or less. The proceeds are used to fund short-term working capital and borrowing requirements. The paper is usually issued at a discount and repaid at nominal amount at maturity. The discount represents the interest paid to the investors on the commercial paper. The programme is guaranteed by Adecco S.A. As of December 31, 2012 and December 31, 2011, EUR 184 and EUR 145, respectively, were outstanding under the programme, with maturities of up to 364 days. The weighted-average interest rate on commercial paper outstanding was 0.31% as of December 31, 2012 and 1.31% as of December 31, 2011.

Other short-term debt

As of December 31, 2012 and December 31, 2011, bank overdrafts and other short-term borrowings amounted to EUR 21, and EUR 15, respectively.

Long-term debt

The Company's long-term debt as of December 31, 2012 and December 31, 2011 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	31.12.2012	31.12.2011
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	104	
7-year guaranteed Euro medium-term notes	EUR 500	2018	4.75%	493	489
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	291	
4-year Swiss Franc fixed rate notes	CHF 350	2016	2.125%	289	
5-year guaranteed Euro medium-term notes	EUR 356	2014	7.625%	358	358
7-year Euro fixed rate guaranteed notes	EUR 333	2013	4.5%	336	341
Medium-term loan, payable in instalments					76
Other				1	2
				1,872	**1,266**
Less current maturities				(336)	(76)
Long-term debt, less current maturities				**1,536**	**1,190**

8-year Swiss Franc fixed rate notes and 5-year Swiss Franc fixed rate notes
On July 18, 2012, Adecco S.A. issued CHF 125 fixed rate notes with a coupon of 2.625% ("2020 notes") and CHF 250 fixed rate notes with a coupon of 1.875% ("2017 notes") due on December 18, 2020 and December 18, 2017, respectively. Furthermore, on October 19, 2012, the Company increased the outstanding 2017 notes by CHF 100. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds were used to fund the share buyback programme approved by the Board of Directors in June 2012 (for further details, refer to Note 8). Interest is paid annually in arrears.

4-year Swiss Franc fixed rate notes
On February 8, 2012, Adecco S.A. issued CHF 350 fixed rate notes due on February 8, 2016 ("2016 notes"). The 2016 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds are used for general corporate purposes. Interest is paid annually in arrears at a fixed annual rate of 2.125%.

Exchange and tender offers for outstanding notes and issuance of 7-year guaranteed Euro medium-term notes
In April 2011, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, completed tender and exchange offers for the outstanding EUR 500 5-year guaranteed medium-term notes due 2014 ("2014 notes") and EUR 500 fixed rate guaranteed notes due 2013 ("2013 notes"), collectively "old notes" and issued new 7-year fixed rate notes for EUR 500 guaranteed by Adecco S.A., due April 14, 2018 ("2018 notes"). The purpose of the transaction was to lengthen the Company's debt maturity profile and to take advantage of favourable market conditions.

The 2018 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. Interest is paid annually in arrears at a fixed annual rate of 4.75%.

The exchange and tender were priced at 103.06% for the 2013 notes and at 111.52% for the 2014 notes. In relation to the tender of the old notes, the Company recognised a loss of EUR 11, included in other income/(expenses), net. In addition, a loss of EUR 10 relating to the exchange transaction was deferred and is amortised to interest expense over the life of the 2018 notes.

The Company has entered into fair value hedges of the 2018 notes, which are further discussed in Note 11.

5-year guaranteed Euro medium-term notes
On April 28, 2009, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 medium-term notes guaranteed by Adecco S.A., due April 28, 2014. The 2014 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds further increased the Company's financial flexibility with respect to the refinancing of the guar-

in millions, except share and per share information

anteed zero-coupon convertible bond and were used for general corporate purposes. Interest is paid annually in arrears at a fixed annual rate of 7.625%.

In April 2011, EUR 71 nominal value of outstanding 2014 notes were exchanged for the 2018 notes and EUR 73 nominal value of outstanding 2014 notes were tendered for cash. This transaction reduced the nominal value of the outstanding principal of the 2014 notes to EUR 356.

The Company has entered into fair value hedges of the 2014 notes, which are further discussed in Note 11.

7-year Euro fixed rate guaranteed notes
On April 25, 2006, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 500 fixed rate notes guaranteed by Adecco S.A. due April 25, 2013. The proceeds were used to refinance the DIS acquisition and for general corporate purposes. Interest is paid annually in arrears at a fixed annual rate of 4.5%.

In April 2011, EUR 84 nominal value of outstanding 2013 notes were exchanged for the 2018 notes and EUR 83 nominal value of outstanding 2013 notes were tendered for cash. This transaction reduced the nominal value of the outstanding principal of the 2013 notes to EUR 333.

The Company has entered into fair value hedges of the 2013 notes, which are further discussed in Note 11.

Medium-term loan from Adecco Investment
As of December 31, 2011, the Company had a Swiss Franc denominated loan payable of EUR 76 (CHF 92), including EUR 4 (CHF 5) capitalised interest on the loan from inception to the last roll-over date, to its wholly owned nonconsolidated subsidiary, Adecco Investment (for further details refer to Note 1). The subordinated loan which had been fully paid by November 26, 2012, carried interest rate of 3-month CHF LIBOR plus 1.5% per annum. During 2012 and 2011, the Company repaid instalments of EUR 72 (CHF 87) and EUR 48 (CHF 59), respectively. As of December 31, 2012, the accrued interest of EUR 4 (CHF 5) has been transferred to the intercompany account as Adecco Investment is consolidated in the Company's financial statements since December 2012.

Payments of long-term debt are due as follows:

in EUR	2013	2014	2015	2016	2017	Thereafter	Total
Payments due by year	336	358	1	289	291	597	1,872

Other credit facilities

Committed multicurrency revolving credit facility
In October 2011, the Company renegotiated the existing EUR 550 multicurrency revolving credit facility. The five-year revolving credit facility of EUR 600, which was extended for one more year in September 2012, contains a further 1-year extension option at the discretion of the lender and 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 0.6% and 1.3% per annum, depending on certain debt-to-EBITDA ratios. Utilisation fee of 0.25% and 0.5% applies on top of the interest rate, if drawings exceed 33.33% and 66.67% of total commitment, respectively.
The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of December 31, 2012 and December 31, 2011, there were no outstanding borrowings under the credit facility. As of December 31, 2012, the Company had EUR 517 available under the facility after utilising the EUR equivalent of EUR 83 in the form of letters of credit. As of December 31, 2011, the Company had EUR 529 available under the facility after utilising the EUR equivalent of EUR 71 in the form of letters of credit.

Note 8 • Shareholders' equity

The summary of the components of authorised shares as of December 31, 2012, December 31, 2011, and December 31, 2010 and changes during those years are as follows:

	Outstanding shares	Treasury shares	Issued shares[1]	Conditional capital	Authorised shares
Changes in components of authorised shares					
January 1, 2010	**174,079,431**	**15,184,075**	**189,263,506**	**19,566,804**	**208,830,310**
Treasury share transactions	622,595	(622,595)			
December 31, 2010	**174,702,026**	**14,561,480**	**189,263,506**	**19,566,804**	**208,830,310**
Treasury share transactions	(4,253,625)	4,253,625			
December 31, 2011	**170,448,401**	**18,815,105**	**189,263,506**	**19,566,804**	**208,830,310**
Purchased over second trading line (share buyback)	(3,837,087)	3,837,087			
Settlement of the prepaid forward	19,157,073	(19,157,073)			
Other treasury share transactions	(1,158,619)	1,158,619			
December 31, 2012	**184,609,768**	**4,653,738**	**189,263,506**	**19,566,804**	**208,830,310**

1 Shares at CHF 1 par value.

Authorised shares and appropriation of available earnings
As of December 31, 2012 and December 31, 2011, Adecco S.A. had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of December 31, 2012 and December 31, 2011, Adecco S.A. 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.

Adecco S.A. may only pay dividends based on the requirements of the Swiss Code of Obligations, Articles of Incorporation and based on the shareholders' equity reflected in the stand-alone financial statements of Adecco S.A., the holding company of the Adecco Group, prepared in accordance with Swiss law. As of December 31, 2012, the stand-alone financial statements of Adecco S.A. included shareholders' equity of CHF 6,690 (EUR 5,540), of which CHF 189 represent share capital and CHF 6,501 represent reserves and retained earnings. Of the CHF 6,501 balance, the statutory legal reserve for treasury shares of CHF 215 as well as an amount of CHF 38 representing 20% of share capital are restricted based on the Swiss Code of Obligations and cannot be distributed as dividends.

In 2012, upon approval at the Annual General Meeting of Shareholders, dividends for 2011 of CHF 1.80 per share, totalling EUR 256, were allocated from Adecco S.A.'s reserve from capital contributions (subaccount of general reserves) to free reserves and subsequently distributed to shareholders. For 2012, the Board of Directors of Adecco S.A. will propose a dividend of CHF 1.80 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be allocated from Adecco S.A.'s reserve from capital contributions to the free reserves and subsequently distributed to shareholders. The statutory reserve from capital contributions is classified as additional paid-in capital in the consolidated balance sheet.

Additional paid-in capital
During 2009, the Company sold a prepaid forward on Adecco S.A. shares for EUR 587 (CHF 887), net of costs and purchased a call spread option for EUR 108 (CHF 164) from its wholly owned, non-consolidated subsidiary Adecco Investment as described in Note 1. The prepaid forward and the call spread option were indexed to and settled in the Company's own shares and therefore were accounted for as equity instruments included in additional paid-in capital. The strike prices of both instruments were reduced whenever the Company made a dividend distribution by a fraction determined as follows: (share price excluding dividend minus dividend per share) divided by (share price excluding dividend).

in millions, except share and per share information

The initial terms of these contracts were as follows:

	Sold prepaid forward	Purchased call spread option
Forward/Strike price	CHF 50.50, received on November 26, 2009	Lower call price = CHF 50.50 Upper call price = CHF 60.60
Number of shares to which the contract was indexed	17,821,782 initial underlying shares	17,821,782 initial underlying shares
Maximum number of shares to be delivered	17,821,782 subject to dividend and other anti-dilution adjustments	2,970,297 subject to dividend and other anti-dilution adjustments

In 2012, the Company delivered 19,157,073 shares of Adecco S.A. to Adecco Investment upon settlement of the prepaid forward and received 26,009 shares from Adecco Investment upon settlement of the call spread option. The shares were delivered out of treasury shares.

Treasury shares

In 2012 and 2011, the number of treasury shares acquired on the regular trading line, net of disposals, amounted to 419,334 and 4,355,000 respectively, and the net consideration paid amounted to EUR 13 and EUR 178, respectively. In 2012, the Company used 19,157,073 treasury shares to settle the prepaid forward it had entered into in 2009 and received 26,009 shares from Adecco Investment upon settlement of the call spread option (for further details refer to Note 1). Additionally, in November 2012, the Company purchased and exercised a call option on 1,000,000 treasury shares for a total consideration of EUR 37 for the settlement of the prepaid forward.

In 2012 and 2011, the Company awarded 6,555 and 4,697 treasury shares, respectively, to the Chairman of the Board of Directors as part of his compensation package (refer to section 3.1.1 "Board of Directors' compensation and shareholding" within the Remuneration Report). In addition, in 2012 and 2011, 280,169 and 96,506 treasury shares, respectively, were used to settle share awards under the long-term incentive plan. Furthermore, 172 shares were used to settle stock option exercises in 2011.

In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The share buyback commenced in mid-July 2012. As of December 31, 2012, the Company has acquired 3,837,087 shares under this programme for EUR 145.

As of December 31, 2012, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Company's outstanding employee stock option plans and long-term incentive plan (for further details refer to Note 9).

No dividends are distributed in relation to treasury shares.

Accumulated other comprehensive income/(loss), net

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

in EUR	31.12.2012	31.12.2011
Currency translation adjustment	(122)	(110)
Unrealised gain on cash flow hedging activities	2	2
Pension-related adjustments	(37)	(35)
Accumulated other comprehensive income/(loss), net	**(157)**	**(143)**

Note 9 • Stock-based compensation

As of December 31, 2012, the Company had non-vested share awards and options outstanding relating to its common shares under several existing plans. Compensation expense of EUR 14, EUR 12, and EUR 5 was recognised in 2012, 2011, and 2010, respectively in connection with the non-vested share awards granted in 2012, 2011, 2010, and 2009. No compensation expense was recognised in 2012, 2011, or 2010 in connection with the stock option plans as all options outstanding are fully vested. The total income tax benefit recognised related to stock compensation amounted to EUR 4 in 2012 and 2011, and EUR 1 in 2010.

Non-vested share award plans

Performance share awards were granted in March 2012, 2011, and 2010 to the members of the Executive Committee (12 individuals in total) under the Company's long-term incentive plan ("LTIP"). The awards contain an undertaking to deliver a number of Adecco S.A. shares to the participants of the plan after the end of the performance period (end of performance period for the 2012, 2011, and 2010 awards: December 31, 2014, December 31, 2013, and December 31, 2012, respectively). The requisite service period represents three calendar years starting on January 1, 2012, January 1, 2011, and January 1, 2010, respectively. The delivery of the shares will be made provided and to the extent that the predefined market and performance targets are met.

The targets for awards granted in 2012, 2011, and 2010 relate to:

- the relative change in the Company's shareholder value including reinvested dividends (total shareholder return: "TSR" element), compared to that of a predefined group of peers ("relative TSR awards");
- the Company's TSR measured as the compound annual growth rate in the Company's shareholder value including reinvested dividends ("absolute TSR awards"); and
- simultaneous achievement of the targets related to relative TSR awards and absolute TSR awards and the degree of overachievement of the relative TSR target ("additional TSR awards").

In addition, service condition awards (restricted share unit awards: "RSU awards") were granted in 2012, 2011, and 2010 to the members of the Executive Committee and to a further group of senior managers (252 individuals in total in 2012, 251 individuals in total in 2011, and 233 individuals in total in 2010) under the LTIP. The vesting of the RSU awards is not subject to performance targets, but to forfeiture provisions. Provided that the employment relationship continues, RSU awards will vest in equal portions over a period of three years at the anniversary of the date of grant. For RSU awards, the requisite service period represents three calendar years starting on January 1, 2012 for the 2012 awards, January 1, 2011 for the 2011 awards, and January 1, 2010 for the 2010 awards. RSU awards granted to French employees cliff-vest at the second anniversary of the date of grant and their requisite service period represents two calendar years starting on January 1, 2012 for 2012 awards, January 1, 2011 for 2011 awards, and January 1, 2010 for 2010 awards.

Participants who terminate their employment with the Company at their own will and those who receive notice of termination for cause before the end of the performance period (in case of performance share awards) and before the end of the vesting period (in case of RSU awards), will no longer be entitled to the vesting of the awards. In case of an involuntary termination without cause before the end of the performance period, a time-weighted pro rata portion of the unvested performance share awards granted in 2012, 2011, and 2010 will vest at the regular vesting date, depending on the level of target achievement. In case of an involuntary termination without cause before the end of the vesting period, a time-weighted pro rata portion of the unvested RSU awards will vest at the regular vesting date.

TSR share awards

The fair value of the relative, absolute, and additional TSR awards (collectively "TSR awards") is estimated on the date of grant using a binomial model. This model runs a very large number of share price simulations based on various parameters (share prices, volatilities, dividends, maturity, correlation, etc). The average result of these simulations provides the probability that the Company's TSR targets will be achieved. The implied volatility was determined by reference to the implied volatilities of various listed options in the listed option market ("Eurex") and interpolated by calculation models. The expected dividend yield is based on expectations for future dividends from research analysts as well as implied dividend yields obtained from option prices traded in the Eurex. The risk-free rate is extracted from the Swiss government bond yield curve, which is constructed by interpolation out of the observed trading prices of various Swiss government bonds. The assumptions used are as follows:

in millions, except share and per share information

	2012	2011	2010
Assumptions used for the estimation of the fair value of the TSR awards			
Implied at-the-money volatility	32.2%	27.6%	28.7%
Expected dividend yield	3.7%	2.0%	1.5%
Expected term (in years)	2.8 years	2.8 years	2.8 years
Risk-free rate	0.30%	0.88%	1.08%

Since the probability of the market condition being met is considered in the fair value of the TSR share awards, the compensation expense is recognised on a straight-line basis over the requisite service period regardless of fulfilment of the market condition, taking into account estimated employee forfeitures.

A summary of the status of the Company's TSR non-vested share plan as of December 31, 2012, December 31, 2011, and December 31, 2010, and changes during those years are as follows:

	Relative TSR awards		Absolute TSR awards		Additional TSR awards	
	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the TSR non-vested share awards						
Non-vested share awards outstanding as of January 1, 2010	**152,065**	**15**				
Granted	24,267	23	24,267	14	24,267	8
Forfeited	(4,473)	15				
Increase in percentage of guaranteed awards	(1,875)	15				
Non-vested share awards outstanding as of December 31, 2010	**169,984**	**16**	**24,267**	**14**	**24,267**	**8**
Granted	20,645	22	20,645	15	20,645	10
Forfeited	(2,343)	22	(2,343)	14	(2,343)	9
Non-vested share awards outstanding as of December 31, 2011	**188,286**	**17**	**42,569**	**14**	**42,569**	**9**
Granted	28,203	19	28,203	18	28,203	12
Forfeited	(2,574)	20	(2,574)	18	(2,574)	12
Cancelled	(145,717)	15				
Non-vested share awards outstanding as of December 31, 2012	**68,198**	**21**	**68,198**	**16**	**68,198**	**10**

1,875 relative TSR share awards were modified in 2010 to guarantee their vesting irrespective of the achievement of the targets. Such awards were reclassified to the service condition awards category. The incremental expense related to the modification was not significant.

RSU share awards

The fair value of the RSU share awards is determined based on the grant date market price of the Adecco S.A. share less a discount for not being entitled to any dividends over the vesting period. The compensation expense of such service condition share awards is recognised on a straight-line basis over the requisite service period, taking into account estimated employee forfeitures.

A summary of the status of the Company's RSU non-vested share plan as of December 31, 2012, December 31, 2011, and December 31, 2010, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of RSU non-vested share awards		
Granted	325,486	56
Forfeited	(16,739)	57
Non-vested share awards outstanding as of December 31, 2010	**308,747**	**56**
Granted	269,319	55
Vested	(96,506)	57
Forfeited	(19,866)	54
Non-vested share awards outstanding as of December 31, 2011	**461,694**	**55**
Granted	369,892	47
Vested	(192,772)	55
Forfeited	(38,715)	50
Non-vested share awards outstanding as of December 31, 2012	**600,099**	**51**

EPS share awards

Under the 2009 awards plan, the Company granted earnings per share awards ("EPS share awards") to the Executive Committee and to a further group of senior managers. As of December 31, 2012, there were no EPS share awards outstanding. The fair value of the EPS share awards was determined based on the grant date market price of the Adecco S.A. share, and assumed that the EPS performance conditions of the plan would be met. Compensation expense was recognised over the requisite service period for the awards expected to vest, according to the internal EPS projections. The estimate of the number of awards expected to vest was reassessed at each reporting date, and the new estimate was recognised, to the extent the estimate changed, taking into account the service already rendered.

A summary of the status of the Company's EPS non-vested share plan as of December 31, 2012, December 31, 2011, and December 31, 2010, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of EPS non-vested share awards		
Non-vested share awards outstanding as of January 1, 2010	**88,521**	**35**
Forfeited	(2,454)	35
Increase in percentage of guaranteed awards	(1,875)	35
Non-vested share awards outstanding as of December 31, 2010	**84,192**	**35**
Non-vested share awards outstanding as of December 31, 2011	**84,192**	**35**
Cancelled	(23,045)	35
Vested	(61,147)	35
Non-vested share awards outstanding as of December 31, 2012	**0**	

in millions, except share and per share information

1,875 EPS share awards were modified in 2010 to guarantee their vesting irrespective of the achievement of the targets. Such awards were reclassified to the service condition awards category. The incremental expense related to the modification was not significant.

Guaranteed TSR and EPS share awards

Certain awards were granted in 2009, in addition to those described above, which were guaranteed to vest irrespective of the EPS and TSR conditions being met, provided that the requisite service was rendered. As of December 31, 2012, there were no guaranteed TSR and EPS share awards outstanding.

A summary of the status of these service condition share awards, including the impact of the TSR and EPS awards modified in 2010 as described above, as of December 31, 2012, December 31, 2011, and December 31, 2010, and changes during those years are as follows:

	Number of shares	Weighted-average grant date fair value per share (in CHF)
Summary of the service condition non-vested share awards		
Non-vested share awards outstanding as of January 1, 2010	**22,500**	**36**
Increase in percentage of guaranteed awards	3,750	36
Non-vested share awards outstanding as of December 31, 2010	**26,250**	**36**
Non-vested share awards outstanding as of December 31, 2011	**26,250**	**36**
Vested	(26,250)	36
Non-vested share awards outstanding as of December 31, 2012	**0**	

As of December 31, 2012, the total unrecognised compensation expense related to non-vested share awards amounted to EUR 13. The cost is expected to be recognised over a weighted-average period of two years. The total fair value of share awards vested in 2012 and 2011 amounted to EUR 11 and EUR 4, respectively. The excess tax benefits resulting from vesting of share awards in 2012 and 2011 were not significant, and were reported as cash flows from financing activities. No awards vested in 2010.

Option plans

Under several option plans, options vested and became exercisable in instalments, generally on a rateable basis up to four years, beginning on the date of grant or one year after the date of grant, and have a contractual life of three to ten years. Options were typically granted with an exercise price equal to or above the fair market value of the Adecco S.A. share on the date of grant. No options have been granted since 2004.

The Company used the Black-Scholes model to estimate the fair value of stock options granted to employees. Management believes that this model appropriately approximates the fair value of the stock option. The fair value of the option award, as calculated using the Black-Scholes model, was expensed on a straight-line basis.

A summary of the status of the Company's stock option plans as of December 31, 2012, December 31, 2011, and December 31, 2010, and changes during those years are presented below:

	Number of shares	Weighted-average exercise price per share (in CHF)	Weighted-average remaining life (in years)	Aggregate intrinsic value (in CHF millions)
Summary of stock option plans				
Options outstanding and vested as of January 1, 2010	**1,762,719**	**68**	**1.2**	
Exercised	(614,153)	60		
Forfeited	(22,582)	81		
Expired	(686,425)	71		
Options outstanding and vested as of December 31, 2010	**439,559**	**76**	**1.1**	
Exercised	(172)	60		
Forfeited	(6,278)	73		
Expired	(329,969)	76		
Options outstanding and vested as of December 31, 2011	**103,140**	**78**	**1.0**	
Forfeited	(8,110)	74		
Expired	(86,480)	79		
Options outstanding and vested as of December 31, 2012	**8,550**	**73**	**1.1**	

The aggregate intrinsic value as of December 31, 2012 of the outstanding stock options in the table above is zero and represents the total pre-tax intrinsic value (the difference between the Company's closing share price on the last trading day of 2012 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on the last trading day of 2012. This amount changes based on the fair market value of Adecco S.A. shares.

in millions, except share and per share information

Note 10 • Employee benefit plans

In accordance with local regulations and practices, the Company has various employee benefit plans, including defined contribution and both contributory and non-contributory defined benefit plans.

Defined contribution plans and other arrangements

The Company recorded an expense of EUR 70 in 2012 and EUR 60 in both 2011 and 2010, in connection with defined contribution plans, and an expense of EUR 34, EUR 36, and EUR 30, in connection with the Italian employee termination indemnity arrangement in 2012, 2011, and 2010, respectively.

The Company sponsors several non-qualified defined contribution plans in the USA for certain of its employees. These plans are partly funded through Rabbi trusts, which are consolidated in the Company's financial statements. As of December 31, 2012 and December 31, 2011, the assets held in the Rabbi trusts amounted to EUR 60 and EUR 53, respectively. The related pension liability totalled EUR 77 and EUR 70 as of December 31, 2012 and December 31, 2011, respectively.

Certain employees in Sweden are covered under the ITP multiemployer pension plan (employer identification number 55927) administered by a union. The data available from the administrator of the plan (Alecta) is not sufficient to determine the projected benefit obligation or the net assets attributable to the Company. Consequently, this plan is reported as a defined contribution plan. As of December 31, 2012, Alecta managed approximately EUR 64,100 of plan assets on behalf of 2 million private individuals and 33,000 client companies. As of December 31, 2011, total assets managed by Alecta amounted to EUR 54,600. Total contributions made by all plan members to this plan in 2011 amounted to approximately EUR 2,800. The information on total contributions made by all plan members in 2012 has not yet been published by Alecta. Contributions made to this plan by the Company amounted to EUR 3 in 2012, EUR 2 in 2011, and EUR 3 in 2010.

Defined benefit plans

The Company sponsors defined benefit plans principally in Switzerland, the Netherlands, and the UK. These plans provide benefits primarily based on years of service and level of compensation, and are in accordance with local regulations and practices. The defined benefit obligations and related assets of all major plans are reappraised annually by independent actuaries. The measurement date in 2012 and 2011 for all defined benefit plans is December 31. Plan assets are recorded at fair value, and consist primarily of equity securities, debt securities, and alternative investments. The projected benefit obligation ("PBO") is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation ("ABO") is the actuarial present value of benefits attributable to employee service rendered to date, but excluding the effects of estimated future pay increases.

Actuarial gains and losses are recognised as a component of other comprehensive income/(loss), net, in the period when they arise. Those amounts are subsequently recognised as a component of net period pension cost using the corridor method.

The components of pension expense, net, for the defined benefit plans are as follows:

	Swiss plan			Non-Swiss plans		
in EUR	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Components of pension expense						
Service cost	13	11	9	5	2	2
Interest cost	3	3	3	6	5	5
Expected return on plan assets	(5)	(6)	(5)	(6)	(4)	(5)
Amortisation of prior years' service costs				2		(1)
Amortisation of net (gain)/loss	3			1	1	2
Pension expense, net	**14**	**8**	**7**	**8**	**4**	**3**

The following table provides a reconciliation of the changes in the benefit obligations, the change in the fair value of assets, and the funded status of the Company's defined benefit plans as of December 31, 2012 and December 31, 2011:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Pension liabilities and assets				
Projected benefit obligation, beginning of year	**152**	**129**	**126**	**103**
Service cost	13	11	5	2
Interest cost	3	3	6	5
Participants contributions	32	31	1	1
Actuarial (gain)/loss	4	8	13	17
Acquisitions			7	
Benefits paid	(34)	(34)	(4)	(3)
Curtailments			(2)	
Foreign currency translation	1	4	1	1
Projected benefit obligation, end of year	**171**	**152**	**153**	**126**
Plan assets, beginning of year	**140**	**128**	**100**	**86**
Actual return on assets	8	(1)	13	13
Employer contributions	13	12	4	2
Participants contributions	32	31	1	1
Benefits paid	(34)	(34)	(2)	(3)
Foreign currency translation	1	4	1	1
Plan assets, end of year	**160**	**140**	**117**	**100**
Funded status of the plan	**(11)**	**(12)**	**(36)**	**(26)**
Accumulated benefit obligation, end of year	**168**	**148**	**124**	**116**

The following amounts are recognised in the consolidated balance sheets as of December 31, 2012 and December 31, 2011:

	Swiss plan		Non-Swiss plans	
in EUR	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Pension-related assets			9	7
Pension-related liabilities	(11)	(12)	(45)	(33)
Total	**(11)**	**(12)**	**(36)**	**(26)**

in millions, except share and per share information

As of December 31, 2012, the Company recognised a net loss of EUR 21 and EUR 8 for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net. Furthermore, EUR 8 prior years' service costs were recognised in accumulated other comprehensive income/(loss), net, for the non-Swiss defined benefit plans as of December 31, 2012 and December 31, 2011. The net loss to be amortised from accumulated other comprehensive income/(loss), net, into earnings, over the next fiscal year amounts to EUR 2 for the Swiss defined benefit plan and EUR 1 for the non-Swiss defined benefit plans. In addition, EUR 2 prior years' service costs related to the non-Swiss defined benefit plans are to be amortised into earnings from accumulated other comprehensive income/(loss), net, over the next fiscal year. As of December 31, 2011, the Company recognised a net loss of EUR 22 and EUR 5 for the Swiss defined benefit plan and for the non-Swiss defined benefit plans, respectively, in accumulated other comprehensive income/(loss), net.

For plans with a PBO in excess of the fair value of plan assets as of December 31, 2012 and December 31, 2011, the total PBO was EUR 239 and EUR 208, respectively, and the fair value of the plan assets was EUR 184 and EUR 162, respectively.

Certain of the Company's pension plans have an ABO that exceeds the fair value of plan assets. For plans with an ABO that exceeds the fair value of plan assets, the aggregated ABO was EUR 211 and EUR 196 as of December 31, 2012 and December 31, 2011, respectively, and the fair value of the plan assets of those plans was EUR 183 and EUR 162, respectively.

The overall expected long-term rate of return on plan assets for the Company's defined benefit plans is based on inflation rates, inflation-adjusted interest rates, and the risk premium of equity investments above risk-free rates of return. Long-term historical rates of return are adjusted when appropriate to reflect recent developments.

The assumptions used for the defined benefit plans reflect the different economic conditions in the various countries. The weighted-average actuarial assumptions are as follows:

	Swiss plan			Non-Swiss plans		
in %	2012	2011	2010	2012	2011	2010
Weighted-average actuarial assumptions						
Discount rate	1.9	2.3	2.5	2.4	4.1	4.5
Rate of increase in compensation levels	2.5	2.5	2.5	1.3	2.1	2.6
Expected long-term rate of return on plan assets	3.5	3.8	4.3	3.5	4.1	4.3

The Company has established an investment policy and strategy for the assets held by the Company's pension plans which focuses on using various asset classes in order to achieve a long-term return on a risk adjusted basis. Factors included in the investment strategy are the achievement of consistent year-over-year results, effective and appropriate risk management, and effective cash flow management. The investment policy defines a strategic asset allocation and a tactical allocation through bands within which the actual asset allocation is allowed to fluctuate. The strategic asset allocation has been defined through asset-liability studies that are undertaken at regular intervals by independent pension fund advisors or by institutional asset managers. Actual invested positions change over time based on short- and longer-term investment opportunities. Equity securities include publicly-traded stock of companies located inside and outside Switzerland. Debt securities include corporate bonds from companies from various industries as well as government bonds. Alternative investments include interest rate risk management funds (liability driven investments) and foreign exchange forwards used to hedge the foreign exchange risk of alternative investments. Real estate funds primarily consist of investments made through a single real estate fund with daily pricing and liquidity.

The Swiss and non-Swiss pension plans' target weighted-average asset allocations as of December 31, 2012, and the actual weighted-average asset allocations as of December 31, 2012 and December 31, 2011, by asset category, are as follows:

	Swiss plan			Non-Swiss plans		
		Actual allocation			Actual allocation	
in %	Target allocation range	31.12.2012	31.12.2011	Target allocation range	31.12.2012	31.12.2011
Weighted-average asset allocations						
Equity securities	15–40	32	27	5–25	22	17
Debt securities	20–60	32	39	25–55	49	46
Real estate	5–25	16	15	0–10	0	0
Other	5–60	20	19	25–40	29	37
Total		**100**	**100**		**100**	**100**

The fair values of the Company's pension plan assets as of December 31, 2012 and as of December 31, 2011 by asset category are as follows:

December 31, 2012

	Swiss plan				Non-Swiss plans			
in EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category								
Cash and cash equivalents	2			2	1			1
Equity securities:								
• Switzerland	27			27				
• Rest of the world	29			29	20			20
Debt securities:								
• Government bonds	4			4	29			29
• Corporate bonds	46			46	24			24
Alternative investments:								
• Commodity funds/private equity	5		2	7	2			2
• Liability driven investments ("LDI")					29			29
• Alternative investment funds		21		21	8			8
Real estate funds	24			24				
Other						4		4
Total	**137**	**21**	**2**	**160**	**113**	**4**		**117**

in millions, except share and per share information

December 31, 2011

in EUR	Swiss plan Level 1	Swiss plan Level 2	Swiss plan Level 3	Swiss plan Total	Non-Swiss plans Level 1	Non-Swiss plans Level 2	Non-Swiss plans Level 3	Non-Swiss plans Total
Asset category								
Cash and cash equivalents	1			1	1			1
Equity securities:								
• Switzerland	17			17				
• Rest of the world	20			20	17			17
Debt securities:								
• Government bonds	12			12	29			29
• Corporate bonds	42			42	17			17
Alternative investments:								
• Commodity funds/private equity	5		1	6				
• Liability driven investments ("LDI")					25			25
• Alternative investment funds		20		20	9			9
Real estate funds	22			22				
Other						2		2
Total	**119**	**20**	**1**	**140**	**98**	**2**		**100**

A reconciliation of the change in the fair value measurement of the defined benefit plans' consolidated assets using significant unobservable inputs (Level 3) during the years ended December 31, 2012 and December 31, 2011 is as follows:

in EUR	Swiss plan
Private equity funds	
Balance as of January 1, 2011	**1**
Balance as of December 31, 2011	**1**
Actual return on plan assets	1
Balance as of December 31, 2012	**2**

The Company expects to contribute EUR 14 to its pension plan in Switzerland and EUR 4 to its non-Swiss plans in 2013.

Future benefits payments, which include expected future service, are estimated as follows:

in EUR	Swiss plan	Non-Swiss plans
Future benefits payments		
2013	48	3
2014	13	3
2015	12	3
2016	11	4
2017	10	5
Years 2018–2022	40	30

Note 11 • Financial instruments

Risk and use of derivative instruments

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

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

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 December 31, 2012 and December 31, 2011:

	31.12.2012		31.12.2011	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	1,103	1,103	532	532
• Short-term investments	2	2	2	2
• Trade accounts receivable, net	3,492	3,492	3,725	3,725
Current liabilities:				
• Accounts payable	575	575	541	541
• Short-term debt	205	205	160	160
• Current maturities of long-term debt	336	340	76	76
Non-current liabilities:				
• Long-term debt	1,536	1,661	1,190	1,236

The Company uses the following methods and assumptions to estimate the fair value of each class of non-derivative financial instruments:

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt
  The carrying amount approximates the fair value given the short maturity of such instruments.
- Short-term investments
  The fair value for these instruments is based on quoted market prices.
- Long-term debt, including current maturities
  The fair value of the Company's publicly-traded long-term debt is estimated using quoted market prices. The fair value of other long-term debt is estimated by discounting future cash flows using interest rates currently available for similar debt with identical terms, similar credit ratings, and remaining maturities. Refer to Note 7 for details of debt instruments.

in millions, except share and per share information

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of December 31, 2012 and December 31, 2011:

in EUR	Balance sheet location	Notional amount 31.12.2012	Notional amount 31.12.2011	Fair value 31.12.2012	Fair value 31.12.2011
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Interest rate swaps	Other current assets	150		2	
• Interest rate swaps	Other assets	175	425	6	13
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	1,437	1,071	21	48
• Cross-currency interest rate swaps	Other current assets	42	209	4	16
• Cross-currency interest rate swaps	Other assets		42		4
• Interest rate swaps	Other current assets	150		2	
• Interest rate swaps	Other assets		50		2
Derivative liabilities					
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	582	787	(24)	(38)
• Interest rate swaps	Other current liabilities	150		(1)	
• Interest rate swaps	Other liabilities		50		(1)
• Interest rate swaption	Other liabilities		50		(1)
Total net derivatives				**10**	**43**

In addition, accrued interest receivable on interest rate swaps of EUR 11 and EUR 10 was recorded in other current assets as of December 31, 2012 and December 31, 2011, respectively. Accrued interest payable on cross-currency interest rate swaps and interest rate swaps of EUR 2 was recorded in other accrued expenses as of both December 31, 2012 and December 31, 2011.

The fair value of interest rate swaps, foreign currency contracts, and cross-currency interest rate swaps is calculated by using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments as well as a liquidity charge represented by the bid-ask spread of the outstanding derivatives. The non-performance adjustment reflects the Credit Default Swap ("CDS") applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of December 31, 2012 and December 31, 2011, the total impact of non-performance risk and liquidity risk was a loss of EUR 2 and EUR 4, respectively.

Fair value hedges

Interest rate swaps with a notional amount of EUR 150 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 2013 notes for EUR 333 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of four to seven years and expire in 2013.

Interest rate swaps with a notional amount of EUR 125 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the 2014 notes for EUR 356 issued by

Adecco International Financial Services BV. The outstanding contracts have an original contract period of three to five years and expire in 2014.

Interest rate swaps with a notional amount of EUR 50 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 2018 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of six years and expire in 2018.

The gain and loss on the hedged fixed rate notes attributable to the hedged benchmark interest rate risk and the offsetting loss and gain on the related interest rate swaps, both reported as interest expense for 2012 and 2011 are as follows:

in EUR	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings			Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings	
Derivative		**2012**	**2011**	**Hedged item**		**2012**	**2011**
Interest rate swaps	Interest expense	(1)	(5)	Long-term debt	Interest expense	1	5

In addition, in 2012 the Company recorded a gain of EUR 2 in interest expense related to the amortisation of terminated hedges, whereas no significant gain/(loss) related to the amortisation of terminated hedges was recorded in interest expense in 2011.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were recorded in 2012, 2011, and 2010, due to ineffectiveness in fair value hedge relationships. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in 2012, 2011, or 2010.

Cash flow hedges

There was no effective portion of gains or loss on cash flow hedges recognised in other comprehensive income/(loss), net, in 2012, whereas in 2011 the effective portion of gains on cash flow hedges recognised in other comprehensive income/(loss) amounted to EUR 3. As of December 31, 2012 and December 31, 2011, gains relating to cash flow hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 2 in both periods. No significant gains or losses were recorded in 2012, 2011, and 2010, due to ineffectiveness in cash flow hedge relationships. In 2012, 2011, and 2010, no significant gains or losses were excluded from the assessment of hedge effectiveness of the cash flow hedges. No significant reclassifications into earnings of gains and losses that are reported in accumulated other comprehensive income/(loss), net, are expected within the next 12 months.

Net investment hedges

As of December 31, 2012 and December 31, 2011, the net loss relating to net investment hedges included as a component of accumulated other comprehensive income/(loss), net, amounted to EUR 75 and EUR 74, respectively, resulting from net investment hedges terminated in 2005. No reclassifications of losses reported in accumulated other comprehensive income/(loss), net, into earnings are expected within the next 12 months.

Other hedge activities

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

in millions, except share and per share information

In connection with these activities, the Company recorded a net loss of EUR 4 in 2012 and a net loss of EUR 1 in 2011, as follows:

in EUR Derivative	Location of gain/(loss) on derivative recognised in earnings	Gain/(loss) on derivative recognised in earnings 2012	2011	Hedged item	Location of gain/(loss) on related hedged item recognised in earnings	Gain/(loss) on related hedged item recognised in earnings 2012	2011
Cross-currency interest rate swaps	Other income/ (expenses), net	(1)	(6)	Loans and receivables to/ from subsidiaries	Other income/ (expenses), net	1	4
Foreign currency contracts	Other income/ (expenses), net	(38)	(11)	Cash, loans, and receivables to/ from subsidiaries	Other income/ (expenses), net	34	12

In 2012, an expense of EUR 2 was recorded in other income/(expenses), net, related to a swaption not designated as a hedging instrument under ASC 815 whereas no significant amounts were included in relation to interest rate swaps not designated as hedging instruments under ASC 815. In 2011, the Company recorded in other income/(expenses), net, a gain of EUR 3 in connection with non-designated interest rate swaps and a release of the fair value adjustment on part of the debt tendered in April 2011, and a loss of EUR 1 in connection with a non-designated interest rate swaption.

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 12 • 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 December 31, 2012 and December 31, 2011, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Available-for-sale securities	2			2
Derivative assets		45		45
Liabilities				
Derivative liabilities		26		26
December 31, 2011				
Assets				
Available-for-sale securities	2			2
Derivative assets		93		93
Liabilities				
Derivative liabilities		42		42

Note 13 • Other income/(expenses), net

For the years 2012, 2011, and 2010, other income/(expenses), net, consist of the following:

in EUR	2012	2011	2010
Foreign exchange gain/(loss), net	(4)	(1)	(3)
Interest income	5	5	3
Proportionate net income of investee companies	2	1	
Other non-operating income/(expenses), net	(16)	(11)	(1)
Total other income/(expenses), net	**(13)**	**(6)**	**(1)**

In 2012, other non-operating income/(expenses), net, include a loss of EUR 15 related to the sale of a business in North America. In 2011, other non-operating income/(expenses), net, include a loss of EUR 11 related to the tender of the 2014 notes and 2013 notes (refer to Note 7 for further details).

Note 14 • Income taxes

Adecco S.A. is incorporated in Switzerland and the Company operates in various countries with differing tax laws and rates. A substantial portion of the Company's operations are outside of Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. The weighted-average tax rate is calculated by aggregating pre-tax income or loss in each country in which the Company operates multiplied by the country's statutory income tax rate. Income before income taxes in Switzerland totalled EUR 183, EUR 215, and EUR 114 in 2012, 2011, and 2010, respectively. Foreign source income before income taxes amounted to EUR 401, EUR 471, and EUR 489 in 2012, 2011, and 2010, respectively.

in millions, except share and per share information

The provision for income taxes consists of the following:

in EUR	2012	2011	2010
Provision for income taxes			
Current tax provision:			
• Domestic	24	26	26
• Foreign	152	192	148
Total current tax provision	**176**	**218**	**174**
Deferred tax provision/(benefit):			
• Domestic		5	(2)
• Foreign	30	(57)	7
Total deferred tax provision/(benefit)	**30**	**(52)**	**5**
Total provision for income taxes	**206**	**166**	**179**

The difference between the provision for income taxes and the weighted-average tax rate is reconciled as follows for the fiscal years:

in EUR	2012	2011	2010
Tax rate reconciliation			
Income taxed at weighted-average tax rate	111	128	138
Items taxed at other than weighted-average tax rate	8	58	22
Non-deductible expenses	13	11	16
Net change in valuation allowance	84	4	3
Adjustments to deferred tax assets due to rate changes	4	(2)	
Tax on undistributed earnings	(5)	(31)	1
Other, net	(9)	(2)	(1)
Total provision for income taxes	**206**	**166**	**179**

In 2012, 2011, and 2010, the reconciling item "items taxed at other than weighted-average tax rate" includes the French business tax. In accordance with French legislation, a portion of the business tax is computed based on added value and consequently, under U.S. GAAP, this component is reported as income tax. Furthermore, in 2012, 2011, and 2010, the reconciling item "items taxed at other than weighted-average tax rate" includes EUR 50, EUR 31, and EUR 27 positive impact related to the settlement of tax contingencies.

In 2012, the reconciling item "net change in valuation allowance" includes EUR 73 valuation allowance on French deferred tax assets recognised in prior years and current year French losses. At the end of 2012, the Tax Credit and Competitive Employment Act in France ("CICE") was approved. As CICE is expected to have a negative impact for income tax purposes starting in 2013, management reassessed the recoverability of the French deferred tax assets and recorded a full valuation allowance on those assets.

In 2011, the reconciling item "tax on undistributed earnings" includes a benefit of EUR 31 in connection with the reversal of a deferred tax liability related to distributable earnings of the Company's Japanese subsidiary following the ratification of the Swiss-Japanese Tax Treaty, which resulted in a reduction of withholding taxes payable upon distribution of dividends to Switzerland. As of December 31, 2012 and December 31, 2011, a deferred tax liability of EUR 10 and EUR 16 has been provided for non-Swiss withholding taxes and additional Swiss taxes due upon the future dividend payment of cumulative undistributed earnings which are not considered permanently reinvested. In 2012 and 2011, the Company has not provided for Swiss income taxes on one of its Swiss subsidiaries' undistributed earnings as such amounts are considered permanently reinvested. As of December 31, 2012 and December 31, 2011, such earnings amounted to approximately EUR 2,793 and EUR 2,773, respectively. Furthermore, in 2012, the Company has not provided for income and withholding taxes on certain non-Swiss subsidiaries' undistributed earnings as such amounts are considered permanently reinvested. As of December 31, 2012, such earnings amounted to approximately EUR 450. It is not practicable to estimate the amount of taxes that would be payable upon remittance of these earnings.

Temporary differences that give rise to deferred income tax assets and liabilities are as follows:

in EUR	31.12.2012	31.12.2011
Temporary differences		
Net operating loss carryforwards and capital losses	223	218
Tax credits	13	27
Depreciation	11	9
Deferred compensation and accrued employee benefits	99	101
Allowance for doubtful accounts	12	14
Accrued expenses	62	66
Intercompany transactions	49	26
Other	22	30
Gross deferred tax assets	**491**	**491**
Unrecognised tax benefits provision, net	(43)	(33)
Valuation allowance	(179)	(125)
Deferred tax assets, net	**269**	**333**
Intangible assets book basis in excess of tax basis	(140)	(147)
Tax amortisation in excess of financial amortisation	(92)	(91)
Undistributed earnings of subsidiaries	(10)	(16)
Other	(11)	(26)
Deferred tax liabilities	**(253)**	**(280)**
Deferred tax assets, net of deferred tax liabilities	**16**	**53**

Management's assessment of the realisation of deferred tax assets is made on a country-by-country basis. The assessment is based upon the weight of all available evidence, including factors such as the recent earnings history and expected future taxable income. A valuation allowance is recorded to reduce deferred tax assets to a level which, more likely than not, will be realised.

Valuation allowances on deferred tax assets of foreign and domestic operations increased by EUR 54 to EUR 179. Included in the change of the valuation allowance is an increase of EUR 18 for current year's losses, an increase of EUR 52 in connection with management's reassessment of the realisability of deferred tax assets recognised in prior years, and an increase of EUR 14 for capital losses generated in 2012. This was partially offset by the reversal of prior years' capital losses of EUR 23 on which a full valuation allowance had been established and a decrease of EUR 7 related to reversal of prior years' losses and unrecognised tax benefits and related valuation allowance.

The following table summarises the deferred tax assets and deferred tax liabilities reported by the Company as of December 31, 2012 and December 31, 2011:

in EUR	Balance sheet location	31.12.2012	31.12.2011
Deferred tax assets – current	Other current assets	102	161
Deferred tax assets – non-current	Other assets	120	106
Deferred tax liabilities – current	Other accrued expenses	(10)	(20)
Deferred tax liabilities – non-current	Other liabilities	(196)	(194)
Deferred tax assets, net of deferred tax liabilities		**16**	**53**

in millions, except share and per share information

As of December 31, 2012, the Company had approximately EUR 717 of net operating loss carryforwards and capital losses. These losses will expire as follows:

in EUR	2013	2014	2015	2016	2017	Thereafter	No expiry	Total
Expiration of losses by year	6	3	14	13	64	110	507	717

The largest net operating loss carryforwards and capital losses are in France, the Netherlands, Germany, the USA, the UK, and Brazil and total EUR 556 as of December 31, 2012. The losses in the USA begin to expire in 2017 and the losses in the Netherlands begin to expire in 2018. The losses in France, Germany, the UK, and Brazil do not expire. In addition, tax credits of EUR 13 are related to the USA and Spain operations and begin to expire in 2018.

As of December 31, 2012, the amount of unrecognised tax benefits including interest and penalties is EUR 219 of which EUR 154 would, if recognised, decrease the Company's effective tax rate. As of December 31, 2011, the amount of unrecognised tax benefits including interest and penalties was EUR 287 of which EUR 197 would have, if recognised, decreased the Company's effective tax rate.

The following table summarises the activity related to the Company's unrecognised tax benefits:

in EUR	Unrecognised tax benefits
Balance as of January 1, 2010	**243**
Increases related to current year tax positions	35
Expiration of the statute of limitations for the assessment of taxes	(16)
Settlements with tax authorities	(6)
Additions to prior years including acquisitions	27
Decreases to prior years	(56)
Foreign exchange currency movement	16
Balance as of December 31, 2010	**243**
Increases related to current year tax positions	26
Expiration of the statute of limitations for the assessment of taxes	(14)
Settlements with tax authorities	(3)
Additions to prior years including acquisitions	33
Decreases to prior years	(60)
Foreign exchange currency movement	5
Balance as of December 31, 2011	**230**
Increases related to current year tax positions	24
Expiration of the statute of limitations for the assessment of taxes	(7)
Settlements with tax authorities	(26)
Additions to prior years	13
Decreases to prior years	(45)
Foreign exchange currency movement	(2)
Balance as of December 31, 2012	**187**

In 2012, the item "decreases to prior years" includes EUR 38 related to a favourable court case resolution and to various settlements of contingencies with a favourable impact of EUR 38 to the income tax expense. Furthermore, in 2012 the item "additions to prior years" mainly relates to changes in estimates due to current year audit activity. In 2011, the item "decreases to prior years" includes EUR 57 related to a settlement of contingencies with a corresponding offset to net operating losses carryforwards and a favourable impact of EUR 31 to the income tax expense. Furthermore, in 2011 the item "additions to prior years including acquisitions" mainly relates to changes in estimates due to current year audit activity and pre-acquisition contingencies. In 2010, the item "decreases to prior years" includes EUR 51 related to a settlement of contingencies with a corresponding offset to net operating losses carryforwards and a favourable impact of EUR 27 to the income tax expense.

The Company recognises interest and penalties related to unrecognised tax benefits as a component of the provision for income taxes. As of December 31, 2012 and December 31, 2011, the amount of interest and penalties recognised in the balance sheet amounted to EUR 32 and EUR 57, respectively. The total amount of interest and penalties recognised in the statement of operations was a net benefit of EUR 24 in 2012 and a net expense of EUR 9 and EUR 22 in 2011, and 2010, respectively.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statute of limitations. The open tax years by major jurisdiction are as follows:

Country	Open tax years
Australia	2001 onwards
Canada	1999 onwards
France	2006 onwards
Germany	2006 onwards
Italy	2004 onwards
Japan	2006 onwards
Netherlands	2006 onwards
Spain	2008 onwards
UK	2007 onwards
USA	2012 onwards

In certain jurisdictions, the Company may have more than one tax payer. The table above reflects the statute of limitations of years open to examination for the major tax payers in each major tax jurisdiction.

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 financial statements. An estimate of the range of the possible changes cannot be made until issues are further developed or examinations close.

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

in millions, except share and per share information

Note 15 • Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	2012		2011		2010	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income attributable to Adecco shareholders	377	377	519	519	423	423
Interest on convertible bond, net of tax						2
Net income available for earnings per share calculation	**377**	**377**	**519**	**519**	**423**	**425**
Denominator						
Weighted-average outstanding shares	171,380,880	171,380,880	172,394,340	172,394,340	174,151,587	174,151,587
Weighted-average shares deliverable under prepaid forward	17,012,631	17,012,631	18,277,383	18,277,383	17,961,492	17,961,492
Weighted-average shares	**188,393,511**	**188,393,511**	**190,671,723**	**190,671,723**	**192,113,079**	**192,113,079**
Incremental shares for assumed conversions:						
• Convertible bond						3,417,413
• Employee stock-based compensation		161,866		133,357		65,833
Total average equivalent shares	**188,393,511**	**188,555,377**	**190,671,723**	**190,805,080**	**192,113,079**	**195,596,325**
Per share amounts						
Net earnings per share	**2.00**	**2.00**	**2.72**	**2.72**	**2.20**	**2.17**

The weighted-average shares include 17,012,631, 18,277,383, and 17,961,492 shares for 2012, 2011, and 2010, respectively, deliverable under the prepaid forward with Adecco Investment. The prepaid forward was settled on November 26, 2012 upon the conversion of the MCB. The exercise price of the prepaid forward was reduced proportionally for each dividend distribution to common shareholders made during the lifetime of the MCB, as described in Note 1, which represented participation rights of the prepaid forward.

Stock options of 98,485 in 2012, 392,108 in 2011, and 1,583,834 in 2010 were excluded from the computation of diluted net income per share as the effect would have been anti-dilutive.

Note 16 • Segment reporting

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. The classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

The Company evaluates the performance of its segments based on operating income before amortisation of intangible assets, which is defined as the amount of income before amortisation of intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. Segment assets include current assets, property, equipment, and leasehold improvements, net, other assets, intangible assets, net, and goodwill, 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 90% in 2012, 91% in 2011, and 92% in 2010 of the Company's revenues. The remaining portion was derived from permanent placement, outsourcing, career transition (outplacement), and other services.

in EUR	France	North America [1]	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other [1]	Corporate	Total
2012 segment reporting											
Revenues	5,203	3,800	1,936	1,591	1,550	934	922	310	4,290		20,536
Depreciation	(18)	(16)	(8)	(8)	(13)	(3)	(6)	(3)	(20)	(8)	(103)
Operating income before amortisation of intangible assets	103	161	32	90	91	51	40	82	172	(97)	725
Amortisation of intangible assets											(52)
Operating income											673
Interest expense and other income/(expenses), net											(89)
Provision for income taxes											(206)
Net income											**378**
Capital expenditures	(16)	(14)	(3)	(9)	(4)	(3)	(3)	(2)	(25)	(9)	(88)
Segment assets	1,318	2,083	703	1,768	343	214	289	450	1,453	993	9,614
Long-lived assets [2]	114	121	16	24	28	12	18	17	122	30	502

in EUR	France	North America [1]	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other [1]	Corporate	Total
2011 segment reporting											
Revenues	6,066	3,442	1,707	1,544	1,406	1,032	961	236	4,151		20,545
Depreciation	(18)	(16)	(8)	(8)	(8)	(3)	(6)	(3)	(16)	(7)	(93)
Operating income before amortisation of intangible assets	220	146	32	110	80	60	44	36	168	(82)	814
Amortisation of intangible assets											(51)
Operating income											763
Interest expense and other income/(expenses), net											(77)
Provision for income taxes											(166)
Net income											**520**
Capital expenditures	(23)	(18)	(3)	(9)	(4)	(4)	(5)	(2)	(31)	(10)	(109)
Segment assets	1,638	2,084	729	1,820	329	199	301	452	1,377	425	9,354
Long-lived assets [2]	107	117	23	32	38	7	18	22	106	47	517

1 In 2012, Mexico, previously reported within North America, is reported under Emerging Markets. The 2011 and 2010 information has been restated to conform to the current year presentation.

2 Long-lived assets include fixed assets and other non-current assets.

in millions, except share and per share information

in EUR	France	North America [1]	UK & Ireland	Germany & Austria	Japan	Italy	Benelux	LHH	Other [1]	Corporate	Total
2010 segment reporting											
Revenues	5,494	3,307	1,630	1,231	1,295	842	889	249	3,719		18,656
Depreciation	(16)	(16)	(10)	(8)	(5)	(3)	(6)	(3)	(14)	(6)	(87)
Operating income before amortisation of intangible assets	199	124	22	82	69	38	41	59	162	(74)	722
Amortisation of intangible assets											(55)
Operating income											667
Interest expense and other income/(expenses), net											(64)
Provision for income taxes											(179)
Net income											**424**
Capital expenditures	(42)	(12)	(1)	(7)	(8)	(3)	(3)	(1)	(21)	(7)	(105)
Segment assets	1,564	2,156	704	1,801	281	194	320	209	1,288	362	8,879
Long-lived assets [2]	104	109	27	24	45	6	15	8	76	59	473

Information by country is as follows:

in EUR	France	USA	UK	Japan	Germany	Italy	Switzerland	Rest of the world	Total
Revenues									
2012	5,270	3,588	1,927	1,553	1,551	935	449	5,263	20,536
2011	6,144	3,182	1,694	1,407	1,503	1,035	482	5,098	20,545
2010	5,588	3,099	1,615	1,297	1,197	844	399	4,617	18,656
Long-lived assets									
2012	126	127	16	28	24	12	23	146	502
2011	121	126	23	39	32	7	38	131	517
2010	116	107	27	46	23	6	52	96	473

1 In 2012, Mexico, previously reported within North America, is reported under Emerging Markets. The 2011 and 2010 information has been restated to conform to the current year presentation.

2 Long-lived assets include fixed assets and other non-current assets.

Revenues by business line are as follows:

in EUR	Office	Industrial	Information Technology	Engineering & Technical	Finance & Legal	Medical & Science	Solutions	Total
Revenues								
2012	5,476	9,955	2,379	1,169	761	398	398	20,536
2011	5,301	10,642	2,176	1,009	722	384	311	20,545
2010	4,871	9,403	2,049	956	705	360	312	18,656

Note 17 • Commitments and contingencies

The Company leases facilities under operating leases, certain of which require payment of property taxes, insurance, and maintenance costs. Operating leases for facilities are usually renewable at the Company's option.

Total rent expense under operating leases amounted to EUR 225 in 2012 and EUR 215 in both 2011 and 2010. Future minimum annual lease payments under operating leases are as follows:

in EUR	2013	2014	2015	2016	2017	Thereafter	Total
Lease payments by year	180	127	96	74	53	62	592

As of December 31, 2012, the Company has future purchase and service contractual obligations of approximately EUR 171, primarily related to IT development and maintenance agreements, marketing sponsorship agreements, equipment purchase agreements, and other vendor commitments. Future payments under these arrangements are as follows:

in EUR	2013	2014	2015	2016	2017	Thereafter	Total
Contractual obligations by year	50	40	35	29	17		171

in millions, except share and per share information

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 735, including those letters of credit issued under the multicurrency revolving credit facility (EUR 83). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

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

Note 18 • Risk management

The Company's Board of Directors, who is ultimately responsible for the risk management of the Company, has delegated its execution to Group management.

The risk management process is embedded into the Company's strategic and organisational context. The process is focused on managing risks as well as identifying opportunities. The Company's risk management process covers the significant risks for the Company including financial, operational, and strategic risks. All countries perform the risk management process on a regular basis and report their results to Group management. The Company's risk management activities consist of risk identification, risk assessment, risk response, and risk monitoring.

The Company's Risk Management Steering Committee supports the countries when identifying risks. The defined risk categories are divided into externally and internally driven risks. The Risk Management Steering Committee has defined 15 overarching risk categories, which can have a significant impact on the Company's results. Those key recurring risk categories are, amongst others, economic trends/situation, client attraction/retention, associate attraction/retention, employee attraction/retention, financial reporting, IT environment, change in regulatory/legal and political environment, integration risk, and fraudulent activities. All identified risk categories have to be assessed by all countries within the Company.

The risk assessment includes the following steps: estimation of the potential risk impact on the financial results, assessment of the likelihood of the risk occurrence, assessment of the effectiveness of existing internal controls, and development of action plans needed to mitigate the risk to an acceptable level.

The risk assessment is aligned with the Company's decentralised organisational structure. The countries report to Group management a comprehensive risk assessment, including mitigating actions. At the Group management level, the individual country results are reviewed and discussed with the countries before being categorised and consolidated. Risk monitoring is performed at Group level on a regular basis.

The financial reporting risk includes the failure to comply with external reporting requirements due to failure of internal controls and lack of knowledge of financial reporting requirements relating to accounting and reporting. The Company has implemented a Group Policy environment as well as an Internal Control System in order to mitigate the risk of failure to comply with financial reporting requirements. The Company's Internal Control System is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements.

The financial market risk primarily relates to foreign exchange, interest rates, and equity market risk and is further discussed in Note 11. Except for the equity market risk, these exposures are actively managed by the Company in accordance with written policies approved by the Board of Directors. The Company's objective is to minimise, where deemed appropriate, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. It is the Company's policy to use a variety of derivative financial instruments to hedge these exposures in the absence of natural hedges.

The Company concluded that the risk management process has worked properly throughout 2012.

Note 19 • Subsequent events

The Company has evaluated subsequent events through March 12, 2013, the date the financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date but prior to March 12, 2013 that would have a material impact on the consolidated financial statements.

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Adecco S.A., Chéserex

As statutory auditor, we have audited the accompanying consolidated financial statements of Adecco S.A. and subsidiaries, which comprise the consolidated balance sheets as of 31 December 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended 31 December 2012, and notes thereto.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the consolidated financial position of Adecco S.A. and subsidiaries as of 31 December 2012 and 2011, and the consolidated results of the operations and the cash flows for each of the three years in the period ended 31 December 2012, in accordance with accounting principles generally accepted in the United States and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub Licensed audit expert (Auditor in charge)	Thomas Stenz Licensed audit expert

Zurich, Switzerland
12 March 2013

Adecco S.A. (Holding Company) – Balance sheets

in millions, except share and per share information and compensation table data

As of (in CHF)	Note	31.12.2012	31.12.2011
Assets			
Current assets:			
• Cash and cash equivalents		596	45
• Receivables from subsidiaries		64	52
• Accrued income, prepaid expenses, and withholding taxes		22	19
Total current assets		**682**	**116**
Non-current assets:			
• Investments in subsidiaries		10,088	10,323
• Loans to subsidiaries		3,008	3,236
• Provisions on investments in and loans to subsidiaries		(619)	(843)
• Treasury shares	4	213	912
• Intangible assets		154	135
• Other assets		8	11
Total non-current assets		**12,852**	**13,774**
Total assets		**13,534**	**13,890**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Amounts due to subsidiaries		219	224
• Short-term liabilities to related parties			92
• Other current liabilities		89	62
Total current liabilities		**308**	**378**
Non-current liabilities:			
• Long-term debt to subsidiaries		5,693	5,945
• Long-term liabilities to related parties	2		900
• Provisions and non-current liabilities		18	21
• Long-term debt	3	825	
Total non-current liabilities		**6,536**	**6,866**
Total liabilities		**6,844**	**7,244**
Shareholders' equity			
Share capital	5	189	189
General reserves:			
• Reserve from capital contributions	5	1,200	1,505
• Other reserves	5	407	407
Reserve for treasury shares	5	215	1,092
Retained earnings	5	4,679	3,453
Total shareholders' equity		**6,690**	**6,646**
Total liabilities and shareholders' equity		**13,534**	**13,890**

Adecco S.A. (Holding Company) – Statements of operations

in millions, except share and per share information and compensation table data

For the fiscal years ended December 31 (in CHF)	Note	2012	2011
Operating income			
Royalties and license fees		381	396
Dividends from subsidiaries		410	142
Interest income from subsidiaries		131	126
Interest income from third parties		16	14
Other income		39	17
Total operating income		**977**	**695**
Operating expenses			
Interest expense to subsidiaries		(227)	(255)
Interest expense to related parties		(1)	(2)
Interest expense to third parties		(17)	(4)
Charge to provisions on loans and investments, net		(173)	(230)
Taxes		(14)	(5)
Financial expense		(64)	(236)
Other expenses (including depreciation of CHF 3 in both 2012 and 2011)	8	(130)	(105)
Total operating expenses		**(626)**	**(837)**
Net income/(loss)		**351**	**(142)**

Adecco S.A. (Holding Company) – Notes to financial statements

in millions, except share and per share information and compensation table data

Note 1 • Contingent liabilities

in CHF	31.12.2012	31.12.2011
Guarantees	2,305	2,273
Letters of comfort	101	105
Other	10	11
Total contingent liabilities	**2,416**	**2,389**

Adecco S.A. has irrevocably and unconditionally guaranteed the 2018 notes of CHF 604 (EUR 500) and accrued interest of CHF 21, the 2014 notes of CHF 430 (EUR 356) and accrued interest of CHF 22, and the 2013 notes of CHF 403 (EUR 333) and accrued interest of CHF 12 issued by Adecco International Financial Services BV, a wholly owned subsidiary of Adecco S.A.

Adecco S.A. has irrevocably and unconditionally guaranteed outstanding commercial paper of CHF 222 (EUR 184) issued by Adecco International Financial Services BV, a wholly owned subsidiary of Adecco S.A.

Adecco S.A. has guaranteed or co-issued an amount of CHF 93 utilised from the revolving credit facility in the form of letters of credit as of December 31, 2012. Approximately CHF 500 of the credit facilities issued to several subsidiaries in Europe, North America, South America, Asia, and Australia have been guaranteed. Additionally, Adecco S.A. has provided guarantees and letters of comfort amounting to CHF 99 relating to government requirements for operating a temporary staffing business and to operating leases of its subsidiaries mainly in the USA.

Adecco S.A. is jointly and severally liable for the liabilities of the Swiss VAT group. As of December 31, 2012, the Swiss VAT group liability amounted to CHF 10.

Note 2 • Long-term liabilities to related parties

As of December 31, 2011 long-term liabilities to related parties included a consideration of CHF 900 received for the prepaid forward sale of Adecco S.A. shares ("prepaid forward") in November 2009 in connection with the Senior Secured Limited Recourse Mandatory Convertible Bonds ("MCB") issued by Adecco Investment (Bermuda) Ltd ("Adecco Investment"), a wholly owned subsidiary of Adecco S.A. which was not included in the consolidated financial statements of the Adecco Group until December 2012 (refer to Note 1 and Note 8 to the consolidated financial statements). The prepaid forward was settled in November 2012 and 19,157,073 treasury shares were delivered.

In 2012 and 2011, Adecco S.A. recorded expenses of CHF 4 and CHF 5, respectively, relating to the amortisation of capitalised costs incurred in connection with the prepaid forward. There is no further impact on the statements of operations.

Note 3 • Long-term debt

The long-term debt issued by Adecco S.A. as of December 31, 2012 consists of the following:

in CHF	Principal at maturity	Maturity	Fixed interest rate	31.12.2012
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	125
5-year Swiss Franc fixed rate notes	CHF 350	2017	1.875%	350
4-year Swiss Franc fixed rate notes	CHF 350	2016	2.125%	350
Total long-term debt				**825**

8-year Swiss Franc fixed rate notes and 5-year Swiss Franc fixed rate notes

On July 18, 2012, Adecco S.A. issued CHF 125 fixed rate notes with a coupon of 2.625% ("2020 notes") and CHF 250 fixed rate notes with a coupon of 1.875% ("2017 notes") due on December 18, 2020 and December 18, 2017, respectively. Furthermore, on October 19, 2012, the Company increased the outstanding 2017 notes by CHF 100. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds were used to fund the share buyback programme approved by the Board of Directors in June 2012 (for further details, refer to Note 4). Interest is paid annually in arrears.

4-year Swiss Franc fixed rate notes

On February 8, 2012, Adecco S.A. issued CHF 350 fixed rate notes due on February 8, 2016 ("2016 notes"). The 2016 notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the SIX Swiss Stock Exchange. The proceeds are used for general corporate purposes. Interest is paid annually in arrears at a fixed annual rate of 2.125%.

in millions, except share and per share information and compensation table data

Note 4 • Treasury shares

The reserve for treasury shares held by Adecco S.A. is transferred to/from retained earnings. As of December 31, 2012 and December 31, 2011, all treasury shares held by the Adecco Group are held by Adecco S.A.

	Carrying value (in CHF millions)	Number of shares	Average price per share (in CHF)
January 1, 2011	**874**	**14,561,480**	
Purchases	224	4,355,000	51
Utilisation for stock-based compensation settlement	(6)	(101,375)	60
Write-down	(180)		
December 31, 2011	**912**	**18,815,105**	
Purchases, net	12	419,334	37
Purchased over second trading line (share buyback)	175	3,837,087	46
Utilisation for stock-based compensation settlement	(17)	(286,724)	58
Settlement of the prepaid forward	(930)	(19,157,073)	49
Purchased from AFS upon settlement of call spread	1	26,009	49
Purchase and exercise of call option	45	1,000,000	45
Reversal of prior year write-down	15		
December 31, 2012	**213**	**4,653,738**	

In 2012 and 2011, the number of treasury shares acquired by Adecco S.A. on the regular trading line, net of disposals, amounted to 419,334 and 4,355,000, respectively. The highest and lowest price per share paid for the shares acquired in 2012 amounted to CHF 44 and CHF 36 and to CHF 61 and CHF 33 for the shares acquired in 2011. In 2012, Adecco S.A. used 19,157,073 treasury shares to settle the prepaid forward it had entered into in 2009 and purchased 26,009 shares from Adecco Financial Services ("AFS") upon settlement of the call spread option between AFS and Adecco Investment (refer to Note 2 for further details). Additionally, in November 2012, Adecco S.A. purchased and exercised a call option on 1,000,000 treasury shares for the settlement of the prepaid forward.

In 2012 and 2011, Adecco S.A. awarded 6,555 and 4,697 treasury shares, respectively, to the Chairman of the Board of Directors as part of his compensation package (refer to section 3.1.1 "Board of Directors' compensation and shareholding" within the Remuneration Report). In addition, in 2012 and 2011, 280,169 and 96,506 treasury shares, respectively were used to settle share awards under the long-term incentive plan. Furthermore, 172 shares were used to settle stock option exercises in 2011.

In 2012, CHF 15 of the write-down on treasury shares recorded in 2011 was reversed to the December 2012 average share price. In 2011, the carrying value of treasury shares designated for the long-term incentive plan was written down by CHF 17 to the December 2011 average share price and the carrying value of the remaining treasury shares was written down by CHF 163 to the minimum strike price of the prepaid forward.

In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The share buyback commenced in mid-July 2012. As of December 31, 2012 the Company has acquired 3,837,087 shares under this programme and the highest and lowest price per share paid amounted to CHF 49 and CHF 40, respectively.

As of December 31, 2012, the treasury shares, excluding those acquired on the second trading line with the aim of subsequently cancelling the shares and reducing share capital, are intended to be used for the settlement of the Company's outstanding employee stock option plans and long-term incentive plan (for further details refer to Note 9 to the consolidated financial statements).

Note 5 • Shareholders' equity

in CHF	Share capital	General Reserves: Reserve from capital contributions	General Reserves: Other reserves	Free reserves	Reserve for treasury shares	Retained earnings	Total
January 1, 2012	**189**	**1,505**	**407**		**1,092**	**3,453**	**6,646**
Allocation from reserve from capital contributions to free reserves for dividend distribution		(307)		307			
Dividend distribution				(307)			(307)
Net movement in reserve for treasury shares					(877)	877	
Transfer from retained earnings to capital contributions reserve		2				(2)	
Net income						351	351
December 31, 2012	**189**[1]	**1,200**	**407**		**215**	**4,679**	**6,690**

1 Common shares of CHF 189,263,506 at CHF 1 par value.

On April 24, 2012, Adecco S.A. held its Annual General Meeting of Shareholders in Lausanne.

Conditional capital

As of December 31, 2012, Adecco S.A. has conditional capital under Art. 3^{quater} of the Articles of Incorporation of Adecco S.A. of 15,400,000 shares, for a maximum aggregate amount of CHF 15 for issue of a maximum of 15,400,000 registered shares, which shall be fully paid by the exercise of option and conversion rights to be granted in relation to bond issues or other obligations of Adecco S.A. or affiliated companies. The shares represent conditional capital authorised without time limitation and remain available for issuance upon conversion of any financial instruments that Adecco S.A. or its subsidiaries have issued or may issue in the future.

As of December 31, 2012 and December 31, 2011, Adecco S.A. has 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 under Art. 3ter of the Articles of Incorporation of Adecco S.A. These shares shall be fully paid up by the exercise of option rights which the Board of Directors has granted to the employees and to the members of the Board of Directors of Adecco S.A. or of its affiliated companies. During 2012, Adecco S.A. did not issue any shares.

General Reserves

Pursuant to Swiss tax legislation, the reserve from capital contributions amounting to CHF 1,200 and CHF 1,505 as of December 31, 2012 and as of December 31, 2011, respectively, is presented separately within general reserves. Any dividend distribution made out of the reserve from capital contributions (or from free reserves allocated from reserves from capital contributions) after January 1, 2011 is not subject to Swiss withholding tax. Only capital contributions made after December 31, 1996 qualify for the tax exemption and are classified in the reserve from capital contributions.

In 2012, upon approval at the Annual General Meeting of Shareholders, dividends for 2011 of CHF 1.80 per share, totalling CHF 307 (EUR 256), were allocated from Adecco S.A.'s reserve from capital contributions to free reserves and subsequently distributed to shareholders. For 2012, the Board of Directors of Adecco S.A. will propose a dividend of CHF 1.80 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be allocated from Adecco S.A.'s reserve from capital contributions to the free reserves and subsequently distributed to shareholders.

Adecco S.A. (Holding Company) – Notes to financial statements

in millions, except share and per share information and compensation table data

Note 6 • Significant shareholders

Adecco S.A. has only registered shares. Not all shareholders register with Adecco S.A.'s share register. The following figures are based on information from the share register as of December 31, 2012, on shareholders' disclosures or on other information available to Adecco S.A.

34,873,579 and 35,313,579 shares in 2012 and 2011, respectively, held by a shareholder group with pooled voting rights, consisting, as notified to the Company on August 26, 2011, of Jacobs Holding AG, Zurich, Switzerland; Jacobs Stiftung, Zurich, Switzerland; Renata I. Jacobs, St. Moritz, Switzerland; Lavinia Jacobs, London, UK; Nicolas Jacobs, Kusnacht, Switzerland; Philippe Jacobs, London, UK; Nathalie Jacobs, Kusnacht, Switzerland; Christian Jacobs, Hamburg, Germany; Andreas Jacobs, Hamburg, Germany; Verein Jacobs Familienrat, Zurich, Switzerland; Sentosa Beteiligungs GmbH, Hamburg, Germany (controlled by Christian Jacobs); Niantic Finance AG, Zurich, Switzerland (controlled by Andreas Jacobs); Jacobs Venture AG, Baar, Switzerland; and Triventura AG, Baar, Switzerland.

10,163,580 shares in 2012 and 2011, held by Akila Finance S.A., Luxembourg, controlled by Philippe Foriel-Destezet, Gstaad, Switzerland.

9,660,727 shares as notified to the Company on May 11, 2011, held by Harris Associates L.P., Chicago, USA.

Refer to Note 4 for details on shares held by Adecco S.A.

For further detailed information, refer to the links listed under item 1.2 "Significant shareholders" of the Corporate Governance Report.

Note 7 • Restriction regarding the distribution of dividends

Adecco S.A. may only pay dividends from unappropriated available earnings, the general reserves, or other reserves distributable in accordance with Art. 675 of the Swiss Code of Obligations.

Companies whose principal purpose consists of participations in other companies may freely use the general reserves to the extent they exceed 20% of the paid-in share capital. Pursuant to Art. 671 para. 1 of the Swiss Code of Obligations, 5% of the annual profits shall be allocated to the general reserves until they have reached 20% of the paid-in share capital. In addition, pursuant to Art. 671 para. 2 and para. 4 of the Swiss Code of Obligations, companies whose principal purpose consists of participations in other companies shall allocate to the general reserves the following: (1) any surplus over par value upon the issue of new shares after deduction of the issuance cost, to the extent such surplus is not used for depreciation or welfare purposes; (2) the excess of the amount which was paid-in on cancelled shares over any reduction on the issue price of replacement shares. The general reserves amounted to CHF 1,607 and CHF 1,912 as of December 31, 2012 and December 31, 2011, respectively, thereby exceeding 20% of the paid-in share capital in both years.

Note 8 • Compensation, shareholdings, and loans

Compensation and shareholding of members of the Board of Directors and the Executive Committee

The amounts indicated in this paragraph include honorariums (fees), salaries, loans, bonuses, and compensation in kind (according to market value at time of conferral). The members of the Board of Directors are compensated in cash. The Chairman is partially compensated with Adecco S.A. shares. The amount conferred to the members of the Board of Directors for the fiscal year 2012 amounted to CHF 4.8. The total of all compensation conferred for the fiscal year 2012 to all members of the Executive Committee, including bonus payments for 2012 due in 2013, and awards granted in 2012 under the LTIP, at grant date fair value, amounted to CHF 28.5. Not included are bonus payments due for 2011 but made during 2012 as this information was disclosed in 2011.

Further information on the compensation of the Board of Directors and the Executive Committee of the Adecco Group can be found in the Remuneration Report.

in millions, except share and per share information and compensation table data

Individual compensation and shareholding for 2012 and 2011 are shown in the following tables:

Board of Directors' compensation and shareholding

For the year 2012

in CHF (except shares)	Office/ compensation period in 2012	Net compensation for term served	Social contributions[1] Old age Insurance and other	Shareholding as of December 31, 2012[2]
Name and function				
Rolf Dörig, Chairman	since Jan. 2012	1,800,000[3]	239,242	47,000
Andreas Jacobs, Vice-Chairman	since Jan. 2012	450,000		714,915[4]
Dominique-Jean Chertier	since Apr. 2012	225,000	33,000	1,000
Alexander Gut	since Jan. 2012	424,224	59,956	13,200
Didier Lamouche	since Jan. 2012	282,114	41,375	
Thomas O'Neill	since Jan. 2012	332,640	40,942	6,000
David Prince	since Jan. 2012	289,132	40,410	5,539
Wanda Rapaczynski	since Jan. 2012	450,000		7,700
Jakob Baer	until Apr. 2012	71,968	7,152	n.a.
Subtotal		**4,325,078**	**462,077**	
Total			**4,787,155**	**795,354**

1 Including Directors' and Company's social contributions.

2 Indicating the number of registered shares held, with a par value of CHF 1 each. The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity-related securities of Adecco S.A.

3 CHF 300,000 of the total net compensation was paid with Adecco S.A. shares (6,555 shares at a price of CHF 45.76 per share).

4 Refer to Corporate Governance Report, section 1.2 "Significant shareholders" and Note 6 regarding shares held by a group of which Andreas Jacobs is a member.

For the year 2011

in CHF (except shares)	Office/ compensation period in 2011	Net compensation for term served	Social contributions[1] Old age insurance/ pensions and other	Shareholding as of December 31, 2011[2]
Name and function				
Rolf Dörig, Chairman	since Jan. 2011	1,800,000[3]	237,123	35,000
Thomas O'Neill, Vice-Chairman	since Jan. 2011	427,690	53,061	6,000
Jakob Baer	since Jan. 2011	320,984	39,282	5,101
Alexander Gut	since Jan. 2011	377,069	53,656	11,940
Andreas Jacobs	since Jan. 2011	450,000		714,915[4]
Didier Lamouche	since Apr. 2011	211,781	30,823	
David Prince	since Jan. 2011	290,002	9,998	5,539
Wanda Rapaczynski	since Jan. 2011	400,000		7,700
Francis Mer	until Apr. 2011	107,571	11,722	n.a.
Judith A. Sprieser	until Apr. 2011	100,000	100,000	n.a.
Subtotal		**4,485,097**	**535,665**	
Total			**5,020,762**	**786,195**

1 Including Directors' and Company's social contributions.

2 Indicating the number of registered shares held, with a par value of CHF 1 each. The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity-related securities of Adecco S.A.

3 CHF 300,000 of the total net compensation was paid with Adecco S.A. shares.

4 Refer to Corporate Governance Report, section 1.2 "Significant shareholders" and Note 6 regarding shares held by a group of which Andreas Jacobs is a member.

Adecco S.A. (Holding Company) – Notes to financial statements

in millions, except share and per share information and compensation table data

Executive Committee's compensation

For the year 2012

in CHF	Patrick De Maeseneire, CEO[1]	Total Executive Committee[2]
Gross cash compensation[3]:		
• Base salary	1,800,000	9,145,981
• Annual bonus	1,440,000	5,938,496
Compensation in kind[4]	120,000	1,573,033
Social contributions[5]:		
• Old age insurance/pensions and other	619,953	2,163,458
• Additional health/accident insurance	53,078	167,850
Other including severance[6]		3,084,302
Total conferred	**4,033,031**	**22,073,120**
Share awards granted in 2012 under the long-term incentive plan (LTIP)[7]:		
• RSU awards	1,458,786	4,945,927
• Relative TSR awards	157,105	532,657
• Absolute TSR awards	152,810	518,081
• Additional TSR awards	101,763	345,012
Social contributions on awards, estimated[5]		52,457
Total conferred including LTIP	**5,903,495**	**28,467,254**

1 Highest conferred individual compensation in 2012.

2 In 2012, the Executive Committee consisted of Patrick De Maeseneire, Dominik de Daniel, Alain Dehaze, Peter Searle, Andreas Dinges, Mark Du Ree, Martín Alonso, Federico Vione, Enrique Sanchez, Sergio Picarelli, and Christian Vasino (all since January 2012), Robert P. (Bob) Crouch (since May 2012), and Theron I (Tig) Gilliam Jr. (until April 2012). Notice periods of up to 12 months apply. For certain members of the Executive Committee, based on mandatory local law, severance payments may become due in case of termination.

3 Including employee's social contributions.

4 Car allowance for private use, car lease financed by the Company, membership fees, housing allowance, relocation, education, health insurance, representation allowance. Includes tax equalisation payments to a member of the Executive Committee, partly refundable to the Company in the future.

5 Employer's social contributions.

6 Including share awards granted under the LTIP, not forfeiting due to severance agreement, valued at grant date values.

7 Value in CHF of Adecco S.A. shares awarded in 2012 under the LTIP 2012 (grant date: March 16, 2012).
Valuation of the share awards granted:

- *The grant date fair value of the restricted share unit awards ("RSU awards") is equal to the closing price of the Adecco S.A. share on the day of grant less a 3% discount which takes into consideration that RSU awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of RSU awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares.*
- *The grant date values of the total shareholder return awards ("TSR awards") are calculated based on the closing price of the Adecco S.A. share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective TSR targets will be met at the end of the performance period. The probability factors of 0.40, 0.39, and 0.26 for relative, absolute, and additional TSR awards, respectively, have been determined using a binomial model. A discount of 3% is applied which takes into consideration that TSR awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of TSR awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares by the participants.*
- *The per-share value of awards granted in 2012 amounts to CHF 42.32 and CHF 47.55 for RSU awards, CHF 16.93 and CHF 19.02 for relative TSR awards, CHF 16.46 and CHF 18.50 for absolute TSR awards, and CHF 10.96 and CHF 12.32 for additional TSR awards (lower values: French participants).*
- *Included are the awards granted to Theron I (Tig) Gilliam Jr. in 2012.*

For the year 2011

in CHF	Patrick De Maeseneire, CEO[1]	Total Executive Committee[2]
Gross cash compensation[3]:		
• Base salary	1,800,263	9,214,661
• Annual bonus	1,620,000	6,131,195
Compensation in kind[4]	120,000	1,137,987
Social contributions[5]:		
• Old age insurance/pensions and other	332,160	2,354,279
• Additional health/accident insurance	38,114	117,014
Other cash payments, including severance payments		1,883,245
Total conferred	**3,910,537**	**20,838,381**
Share awards granted in 2011 under the long-term incentive plan (LTIP)[6]:		
• RSU awards	1,213,242	4,194,197
• Relative TSR awards	130,987	452,850
• Absolute TSR awards	87,246	301,625
• Additional TSR awards	58,776	203,200
Social contributions on awards, estimated[5]		49,237
Total conferred including LTIP	**5,400,788**	**26,039,490**

1 Highest conferred individual compensation in 2011.

2 In 2011, the Executive Committee consisted of Patrick De Maeseneire, Dominik de Daniel, Alain Dehaze, Theron I (Tig) Gilliam Jr., Peter Searle, Andreas Dinges, Mark Du Ree, Federico Vione, Enrique Sanchez, Sergio Picarelli, and Christian Vasino (all since January 2011), Martín Alonso (since August 2011), and François Davy (until June 2011). Notice periods of up to 12 months apply. For one member of the Executive Committee, severance payments of approximately CHF 0.9 million would be due in case of termination of the employment contract by the employer. For certain members of the Executive Committee, based on mandatory local law, severance payments may become due in case of termination.

3 Including employee's social contributions.

4 Car allowance for private use, car lease financed by the Company, membership fees, housing allowance, relocation, education, health insurance, representation allowance. Includes tax equalisation payments to a member of the Executive Committee, partly refundable to the Company in the future.

5 Employer's social contributions.

6 Value in CHF of Adecco S.A. shares awarded in 2011 under the LTIP 2011 (grant date: March 16, 2011).
Valuation of the share awards granted:

- *The grant date fair value of the restricted share unit awards ("RSU awards") is equal to the closing price of the Adecco S.A. share on the day of grant less 3% discount related to non-entitlement of RSU awards to dividend until vesting. An additional discount of 11% is applied to the value of RSU awards granted to the French participants, related to additional 2-year post-vesting restrictions on sale of shares.*
- *The grant date values of the total shareholder return awards ("TSR awards") are calculated based on the closing price of the Adecco S.A. share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective TSR targets will be met at the end of the performance period. The probability factors of 0.40, 0.27, and 0.18 for relative, absolute, and additional TSR awards, respectively, have been determined using a binomial model. A discount of 3% is applied in relation to non-entitlement of TSR awards to dividend until vesting. An additional discount of 11% is applied to the value of TSR awards granted to the French participants, related to additional 2-year post-vesting restrictions on sale of shares by the participants.*
- *The per-share value of awards granted in 2011 amounts to CHF 49.12 and CHF 55.19 for RSU awards, CHF 19.70 and CHF 22.13 for relative TSR awards, CHF 13.12 and CHF 14.74 for absolute TSR awards, and CHF 8.84 and CHF 9.93 for additional TSR awards (lower values: French participants).*
- *Included are the awards granted to François Davy in 2011. Not included are the awards granted to Martín Alonso in 2011 in his function before he became a member of the Executive Committee.*

in millions, except share and per share information and compensation table data

For 2012, the variable portion of cash compensation (annual bonus) to the CEO amounted to 80% and for the other members of the Executive Committee ranged between 46% and 87% of the base salary. The variable portion of compensation consisting of share awards (at values as indicated in the previous table) to the CEO amounted to 104% and for the other members of the Executive Committee ranged between 52% and 118% of the base salary. The CEO has reached 80% of the short-term incentive plan ("STIP") bonus base, and the other members of the Executive Committee have reached between 62% and 115% of the STIP bonus base.

Compensation of former members of Governing Bodies (Board of Directors, Executive Committee, closely linked parties)

No compensation payments were made to other former members of Governing Bodies in relation to their former offices.

Shares allocated to Governing Bodies

In 2012, no Adecco S.A. shares were allocated to current or former members of Governing Bodies, except for part of the Chairman's compensation paid with Adecco S.A. shares (refer to compensation table on page 120).

Share ownerships of Governing Bodies

As of December 31, 2012, the members of the Board of Directors, including related parties, reported to hold 795,354 shares; not included are the shares held by a group of which Andreas Jacobs is a member (refer to Note 6 and section 1.2 "Significant shareholders" of the Corporate Governance Report). For the individual share ownerships of the Board of Directors, refer to the table "Board of Directors' compensation and shareholding" and section 1.2 "Significant shareholders" of the Corporate Governance Report.

The members of the Executive Committee, including parties closely linked, reported share ownership as indicated in the following table:

Share ownership as of December 31[1]	Patrick De Maeseneire	Dominik de Daniel	Alain Dehaze	Robert P. (Bob) Crouch[2]	Peter Searle	Andreas Dinges	Mark Du Ree	Martín Alonso	Federico Vione	Enrique Sanchez	Sergio Picarelli	Christian Vasino	Theron I (Tig) Gilliam Jr.[3]	Total
2012	61,906	46,437	3,789		2,545	7,590	3,456	1,162	5,553		10,512	11,714	8,670	163,334
2011	8,959	32,873	1,366	n.a.	910	1,434	50	867	1,024		3,358	2,962	1,364	55,167

1 Indicating the number of registered shares held, with a par value of CHF 1 each.

2 Became a member of the Executive Committee in 2012.

3 Ceased to be a member of the Executive Committee in 2012, shareholding in 2012 indicated as per date of departure.

The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity-related securities in accordance with the requirements of the SIX Swiss Exchange.

Stock options and share awards held by and granted to Governing Bodies

Stock options

Stock options outstanding, as granted since the merger of Adia and Ecco in 1996, exercised by, lapsed from, and held by the members of Governing Bodies in office as of December 31, 2012 and as of December 31, 2011, are presented in the following table (no stock options were granted since 2004):

As of December 31, 2012

During 2012, none of the stock options outstanding were exercised, and all stock options outstanding have lapsed.

As of December 31, 2011

	Last year of expiry detail									
Year of grant	Martín Alonso	Federico Vione	Christian Vasino	Strike price (CHF)	Granted	Exercised	Lapsed	Held by Martín Alonso	Held by Federico Vione	Held by Christian Vasino
Stock options held										
2003	2012	2012	2012	78.50	36,500	3,200	26,000	6,000	800	500

One option entitled the holder to purchase one Adecco S.A. share under the conditions as outlined in the respective plan.

For additional information on stock options, refer to the Corporate Governance Report, section 2.7 “Convertible notes and options”.

Adecco S.A. (Holding Company) – Notes to financial statements

in millions, except share and per share information and compensation table data

Share awards

Awards granted 2012

Share awards held as of December 31, 2012 granted on March 16, 2012 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	30,679	24,780	55,459
Total Executive Committee	93,293	75,354	168,647

Awards granted 2011

Share awards held as of December 31, 2012 and December 31, 2011 granted on March 16, 2011 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	14,655	17,757	32,412
Total Executive Committee	43,169	51,174	94,343

December 31, 2011[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	21,983	17,757	39,740
Total Executive Committee	72,536	56,967	129,503

Awards granted 2010

Share awards held as of December 31, 2012 and December 31, 2011 granted on March 16, 2010 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	8,368	20,277	28,645
Total Executive Committee	25,725	60,243	85,968

December 31, 2011[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	16,737	20,277	37,014
Total Executive Committee	56,528	66,390	122,918

Awards granted 2009

No share awards granted in 2009 were outstanding as of December 31, 2012.

Share awards held as of December 31, 2011 granted on March 16, 2009, and April 1, 2009 under the LTIP:

December 31, 2011[1]	EPS awards[3]	TSR awards	Total
Patrick De Maeseneire[4]	22,500	22,500	45,000
Total Executive Committee	70,042	109,137	179,179

1 Held, as of the date indicated, by members of the Executive Committee in office on December 31, 2012.

2 Split into relative TSR, absolute TSR, and additional TSR awards (one third each).

3 For EPS awards refer to the description of the long-term incentive plan for the awards granted in 2009 as described on pages 189 and 190 of the Annual Report 2009.

4 Special conditions: grant date April 1, 2009, vesting of 58% of the awards granted was guaranteed, subject to continued employment.

Additional fees and remuneration of Governing Bodies
No member of the Board of Directors has received any additional honorariums in 2012.

Loans granted to Governing Bodies
In 2012, the Company did not grant any guarantees, loans, advances or credits to members of the Board of Directors or to members of the Executive Committee, including closely linked parties.

Note 9 • Risk management

The detailed disclosure regarding risk management required by Swiss law is included in Note 18 to the consolidated financial statements.

Adecco S.A. (Holding Company) – Proposed appropriation of available earnings

in millions, except share and per share information

in CHF	2012	2011
Available earnings		
Available earnings of previous years	3,453	3,813
Net income/(loss)	351	(142)
Net movement in reserve for treasury shares	877	(218)
Transfer to capital contributions reserve	(2)	
Total available earnings to be carried forward	**4,679**	**3,453**

in CHF	2012	2011
General reserve from capital contributions		
General reserve from capital contributions of previous years	1,198	1,505
Dividend distribution of CHF 1.80 per share for 2011		(307)
Transfer from retained earnings	2	
Proposed allocation from reserve from capital contributions to free reserves and proposed dividend distribution of CHF 1.80 per share for 2012	(332) [1]	
Balance to be carried forward	**868**	**1,198**

1 This represents the amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) of 184,609,768 as of December 31, 2012.

Major consolidated subsidiaries

Name of legal entity	Country	Registered seat of legal entity	Ownership	Type[1]	Currency of share capital	Share capital in thousands
Adecco Argentina S.A.	Argentina	Buenos Aires	100%	O	ARS	44,526
Adecco Industrial Pty Ltd	Australia	Melbourne	100%	O	AUD	5
Adecco Coordination Center NV	Belgium	Brussels	100%	F	EUR	1,332,468
Adecco Personnel Services NV	Belgium	Brussels	100%	O	EUR	16,651
Secad Ltd	Bermuda	Hamilton	100%	H	CHF	44
Adecco Employment Services Limited	Canada	Toronto, Ontario	100%	H/O	CAD	90,615
Modis Canada Inc	Canada	Toronto, Ontario	100%	O	CAD	14,884
Adecco Colombia SA	Colombia	Bogota	100%	O	COP	111,700
Adecco Holding France SASU	France	Villeurbanne	100%	H	EUR	602,503
Adecco France SASU	France	Villeurbanne	100%	O	EUR	85,317
Adia SASU	France	Villeurbanne	100%	O	EUR	83,293
Adecco Medical SASU	France	Villeurbanne	100%	O	EUR	230
Altedia SAS	France	Paris	100%	O	EUR	4,418
Adecco Beteiligungs GmbH	Germany	Düsseldorf	100%	H	EUR	25
Adecco Personaldienstleistungen GmbH	Germany	Düsseldorf	100%	O	EUR	31
DIS Deutscher Industrie Service AG	Germany	Düsseldorf	100%	O	EUR	12,300
TUJA Zeitarbeit GmbH	Germany	Ingolstadt	100%	O	EUR	40
euro engineering AG	Germany	Ulm	100%	O	EUR	540
Ecco Services (Asia) Limited	Hong Kong	Hong Kong	100%	H	HKD	55,555
Adecco India Private Limited	India	Bangalore	100%	O	INR	23,666
Adecco Italia SpA	Italy	Milan	100%	O	EUR	2,976
Adecco Ltd	Japan	Tokyo	100%	O	JPY	5,562,863
VSN, Inc.	Japan	Tokyo	100%	O	JPY	1,063,772
Ecco Servicios de Personal SA de CV	Mexico	Mexico City	100%	H/O	MXN	101,854
Adecco International Financial Services BV	Netherlands	Utrecht	100%	F	EUR	2,500
Adecco Holding Europe BV	Netherlands	Utrecht	100%	H	EUR	18,807
Adecco Personeelsdiensten BV	Netherlands	Utrecht	100%	O	EUR	227
Adecco Detachering BV	Netherlands	Utrecht	100%	O	EUR	18
Adecco Norge AS	Norway	Oslo	100%	O	NOK	51,000
Adecco Solutions AS	Norway	Oslo	100%	O	NOK	208
Adecco TT SA Empresa de Trabajo Temporal	Spain	Madrid	100%	O	EUR	1,759
Adecco Sweden AB	Sweden	Stockholm	100%	O	SEK	3,038
Adecco S.A.	Switzerland	Chéserex		H	CHF	189,264
Adecco management & consulting S.A.	Switzerland	Lausanne	100%	S	CHF	500
Adecco Invest S.A.	Switzerland	Lucerne	100%	H	CHF	100
Adecco Ressources Humaines S.A.	Switzerland	Lausanne	100%	O	CHF	7,000
Spring Technology Staffing Services Limited	United Kingdom	London	100%	O	GBP	18,831
Adecco UK Ltd	United Kingdom	London	100%	O	GBP	99,600
Office Angels Ltd	United Kingdom	London	100%	O	GBP	2,657
Olsten (U.K.) Holdings Ltd	United Kingdom	London	100%	H	GBP	9,213
Modis Europe Limited	United Kingdom	London	100%	H	GBP	206
Badenoch and Clark Limited	United Kingdom	London	100%	O	GBP	4
Hy-phen.com Ltd	United Kingdom	London	100%	O	GBP	2,574
Adecco, Inc	United States	Wilmington, DE	100%	H	USD	1
Adecco USA, Inc	United States	Wilmington, DE	100%	O	USD	<1
Entegee, Inc	United States	Burlington, MA	100%	O	USD	4,534
Accounting Principals, Inc	United States	Jacksonville, FL	100%	O	USD	161
Lee Hecht Harrison LLC	United States	Wilmington, DE	100%	O	USD	n.a.[2]
Modis, Inc	United States	Jacksonville, FL	100%	O	USD	12,612
Special Counsel, Inc	United States	Baltimore, MD	100%	O	USD	18

1 H – Holding; O – Operating; S – Services; F – Financial.

2 Subsidiary is registered as a Limited Liability Company ("LLC"). No shares have been issued as LLCs have membership interests rather than shares.

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Adecco S.A., Chéserex

As statutory auditor, we have audited the accompanying financial statements of Adecco S.A., which comprise the balance sheet, statement of operations and notes, for the year ended 31 December 2012.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

André Schaub
Licensed audit expert
(Auditor in charge)

Thomas Stenz
Licensed audit expert

Zurich, Switzerland
12 March 2013

Corporate Governance

Applicable Corporate Governance standards

This Corporate Governance disclosure reflects the requirements of the Directive on Information Relating to Corporate Governance, issued by the SIX Swiss Exchange as amended on October 29, 2008. The principles and the more detailed rules of Adecco S.A.'s Corporate Governance are defined in Adecco S.A.'s Articles of Incorporation, its Internal Policies and Organisational Rules, and in the Charters of the Committees of the Board of Directors. Adecco S.A.'s principles take into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance as amended on September 6, 2007.

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

Corporate Governance information is presented as of December 31, unless indicated otherwise, as the statutory fiscal year of Adecco S.A. is the calendar year.

The Corporate Governance information included in this report is presented in Euro, except for information on shares, share capital, and dividends, which is provided in Swiss Francs. Income, expenses, and cash flows are translated using average exchange rates for the period, or at transaction exchange rates, and assets and liabilities are translated using the year end exchange rates.

Structure, shareholders, and capital

1. Structure and shareholders

1.1 Legal and management structure

Adecco S.A. is a stock corporation (société anonyme) organised under the laws of Switzerland with its registered office at Route de Bonmont 31, Chéserex, Switzerland. The Company's principal corporate office is the office of its management company, Adecco management & consulting S.A., at Sägereistrasse 10, Glattbrugg, Switzerland.

Adecco S.A. is listed on the SIX Swiss Exchange (symbol ADEN, security number 1213860; ISIN CH0012138605). As of December 31, 2012, the market capitalisation of Adecco S.A., based on the number of shares issued, including treasury shares, and the closing price of shares on the SIX Swiss Exchange amounted to approximately CHF 9.1 billion. On March 1, 2013, this market capitalisation amounted to approximately CHF 10.3 billion.

The Company is the world's leading provider of human resource services including temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services.

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, and Solutions. The classification of a specific branch into a business line is determined by the business line generating the largest revenue share in that specific branch.

The Company provides services to businesses and organisations located throughout Europe, North America, Asia Pacific, South America, and Africa.

As of January 1, 2013, the Company's Executive Committee was composed as follows:

- Patrick De Maeseneire, Chief Executive Officer;
- Dominik de Daniel, Chief Financial Officer and Head of Global Solutions;
- Alain Dehaze, Regional Head of France;
- Robert P. (Bob) Crouch, Regional Head of North America;
- Peter Searle, Regional Head of UK & Ireland;
- Andreas Dinges, Regional Head of Germany & Austria;
- Christophe Duchatellier, Regional Head of Japan & Asia;
- Martín Alonso, Regional Head of Northern Europe;
- Federico Vione, Regional Head of Italy, Eastern Europe & India;
- Enrique Sanchez, Regional Head of Iberia & Latin America;
- Sergio Picarelli, Chief Sales Officer;
- Christian Vasino, Chief Human Resources Officer.

The Company comprises numerous legal entities around the world. The major consolidated subsidiaries are listed on page 129 of this Annual Report. No subsidiary has shares listed on a stock exchange.

1.2 Significant shareholders

As of December 31, 2012, the total number of shareholders directly registered with Adecco S.A. was 17,344. The major shareholders and their shareholdings were disclosed to the Company as listed in the following table. The table lists the significant shareholders highlighted in bold letters and their latest disclosures regarding their percentage of voting rights.

Please note that percentages of shareholdings refer to the date of disclosure unless indicated otherwise and may have changed in the meantime.

For further details pertaining to the below listed disclosures refer to the Internet: http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html?fromDate=19980101&issuer=1432 and http://www.adecco.com/InvestorRelations/CorporateGovernance/Pages/DisclosureOfShareholding.aspx or http://ir.adecco.com.

Investor	Date of Adecco publication	Percentage of voting rights as disclosed
Adecco S.A.	**27.11.2012**	**Falling below threshold of 3%**
	11.07.2012	10.00% purchase positions of which 10.00% equity, 10.62% sale positions[1]
Akila Finance S.A.	**09.12.2005**	**5.44% equity [2]**
Artisan	**04.12.2012**	**3.05% equity**
	25.04.2012	Falling below threshold of 3%
Franklin Resources Inc.	**10.10.2012**	**Falling below threshold of 3%**
	26.07.2012	3.05% equity
	17.07.2012	Falling below threshold of 3%
Harris Associates L.P.	**13.05.2011**	**5.10% equity [2]**
Jacobs Group	**30.08.2011**	**18.97% purchase positions of which 18.74% equity [2]**
Och Ziff Group	**04.12.2012**	**Falling below threshold of 3%**
	22.11.2012	3.47% purchase positions, 3.99% sale positions
	29.10.2012	5.32% purchase positions, 3.10% sale positions
	04.10.2012	5.18% purchase positions, 2.84% sale positions
MFS Investment Management	**02.08.2012**	**3.008% equity**
	25.07.2012	Falling below threshold of 3%
	23.07.2012	3.00% equity

1 For information on treasury shares held by Adecco S.A. as of December 31, 2012, refer to Note 4 to Adecco S.A. (Holding Company) financial statements.

2 For the shareholding in 2012 refer to Note 6 to Adecco S.A. (Holding Company) financial statements.

As of December 31, 2012, Adecco S.A. is not aware of any person or legal entity, other than those stated above, that directly or indirectly owned 3% or more of voting rights in Adecco S.A., as defined by the Swiss disclosure requirements. Adecco S.A. is not aware of shareholders' agreements, other than those described in the above mentioned disclosures, between its shareholders pertaining to Adecco S.A. shares held.

According to Art. 20 of the Swiss Stock Exchange Act, any investor who directly, indirectly, or together with another person acquires, holds or disposes of voting rights in Adecco S.A., for his own account, and thereby attains, falls below, or exceeds the thresholds of 3, 5, 10, 15, 20, 25, 33⅓, 50 or 66⅔% of the voting rights, whether or not such rights may be exercised, must notify Adecco S.A. and the Disclosure Office of the SIX Swiss Exchange. Such notification must be made no later than four trading days after the obligation to disclose arises.

1.3 Cross-shareholdings

As of December 31, 2012, there were no cross-shareholdings exceeding 5% of a party's share capital.

2. Capital structure

2.1 Share capital

As of December 31, 2012, Adecco S.A.'s share capital registered with the Commercial Register amounted to CHF 189,263,506 divided into 189,263,506 fully paid up registered shares with a nominal value of CHF 1 each.

2.2 Authorised and conditional capital

Adecco S.A. has no authorised capital in the sense of the Swiss Code of Obligations.

The conditional capital of CHF 4,166,804 divided into 4,166,804 registered shares with a nominal value of CHF 1 each is reserved for further exercise of option rights granted to employees and members of the Board of Directors of Adecco S.A. or of its affiliated companies. The subscription rights of shareholders as well as the preferential option subscription rights of the shareholders are excluded. The exercise conditions depend on the respective underlying stock option plan; the share capital will only be increased if and when the holder of the option exercises such stock option, unless treasury shares are used.

The conditional capital of CHF 15,400,000 divided into 15,400,000 registered shares with a nominal value of CHF 1 each is reserved for the exercise of option or conversion rights granted in relation to financial instruments such as bonds or similar debt instruments of Adecco S.A. or its affiliates. The subscription rights of the shareholders regarding the subscription of the shares are excluded. The shareholders' preferential bond subscription rights in the issue of the bonds or similar debt instruments may be limited or excluded by the Board of Directors. The conditional capital is available for share issuance upon conversion of financial instruments issued or to be issued in the future (refer to section 2.7 "Convertible notes and options").

For details on the terms and conditions of the issuance/creation of shares under conditional capital, refer to Art. 3ter and 3^{quater} of the Articles of Incorporation (Internet: www.aoi.adecco.com).

2.3 Changes in capital

Adecco S.A.'s capital structure as of the dates indicated below was as follows:

	Issued shares		Conditional capital		Reserves [1]	Retained earnings
in CHF millions, except shares	Shares	Amount	Shares	Amount	Amount	Amount
January 1, 2010	**189,263,506**	**189.3**	**19,566,804**	**19.6**	**3,015**	**3,840**
Changes					(38)	(27)
December 31, 2010	**189,263,506**	**189.3**	**19,566,804**	**19.6**	**2,977**	**3,813**
Changes					27	(360)
December 31, 2011	**189,263,506**	**189.3**	**19,566,804**	**19.6**	**3,004**	**3,453**
Changes					(1,182)	1,226
December 31, 2012	**189,263,506**	**189.3**	**19,566,804**	**19.6**	**1,822**	**4,679**

1 Reserves include both the general reserves and the reserve for treasury shares.

Details of Adecco S.A.'s general reserves and retained earnings are included in Note 5 to Adecco S.A. (Holding Company) financial statements.

2.4 Shares and participation certificates

Adecco S.A. shares have a par value of CHF 1 each. All shares are fully paid registered shares and bear the same dividend and voting rights. Pursuant to Art. 7 of the Articles of Incorporation (Internet: www.aoi.adecco.com), the right to vote and all other rights associated with a registered share may only be exercised by a shareholder, usufructuary, or nominee who is registered in the share register as the shareholder, usufructuary, or nominee with right to vote.

As of December 31, 2012, there were no outstanding participation certificates.

2.5 Bonus certificates

Adecco S.A. has not issued bonus certificates ("Genussscheine").

2.6 Limitations on registration, nominee registration, and transferability

Each Adecco S.A. share represents one vote.

Acquirers of registered shares are recorded in the share register as shareholders with the right to vote upon request, provided that they declare explicitly to have acquired the registered shares in their own name and for their own account (Art. 4 sec. 2 of the Articles of Incorporation; Internet: www.aoi.adecco.com). Upon such declaration, any person or entity will be registered with the right to vote.

The Board of Directors may register nominees with the right to vote in the share register to the extent of up to 5% of the registered share capital as set forth in the Commercial Register. Registered shares held by a nominee that exceed this limit may be registered in the share register if the nominee discloses the names, addresses, and the number of shares of the persons for whose account it holds 0.5% or more of the registered share capital as set forth in the Commercial Register. Nominees within the meaning of this provision are persons who do not explicitly declare in the request for registration to hold the shares for their own account or with whom the Board of Directors has entered into a corresponding agreement (refer to Art. 4 sec. 3 of the Articles of Incorporation; Internet: www.aoi.adecco.com). The Board of Directors may grant exemptions to this registration restriction (refer to Art. 4 sec. 6 of the Articles of Incorporation; Internet: www.aoi.adecco.com). In 2012, there were no such exemptions granted.

Corporate bodies and partnerships or other groups of persons or joint owners who are interrelated to one another through capital ownership, voting rights, uniform management, or otherwise linked as well as individuals or corporate bodies and partnerships who act together to circumvent the regulations concerning the nominees (especially as syndicates), are treated as one nominee respectively as one person within the meaning of this article (refer to Art. 4 sec. 4 of the Articles of Incorporation; Internet: www.aoi.adecco.com).

For further information regarding the procedure and conditions for cancelling statutory privileges and limitations on transferability of shares, refer to the Articles of Incorporation; Internet: www.aoi.adecco.com.

2.7 Convertible notes and options

Information provided in this section is in millions, except share and per share information.

On November 26, 2009, Adecco Investment (Bermuda) Ltd ("Adecco Investment"), a wholly owned subsidiary of the Company, issued CHF 900 Senior Secured Limited Recourse Mandatory Convertible Bonds ("MCB") due on November 26, 2012. The bonds converted into 19,131,064 shares of Adecco S.A. The number of shares delivered was calculated as defined in the prospectus and were adjusted for dividend payments on the shares of Adecco S.A. over the lifetime of the MCB. At maturity, the calculated conversion price was CHF 47.03 per share (not considering the early conversion of the MCB), whereas at issuance of the MCB the minimum conversion price was CHF 50.50 per share and the maximum conversion price was CHF 60.60 per share. The bonds had an annual coupon of 6.5%.

In 2009, Adecco Investment entered into a prepaid forward contract ("prepaid forward") with the Company, where it originally acquired 17,821,782 shares of the Company for EUR 587 (CHF 887), net of costs. The strike price of the prepaid forward was adjusted for dividend payments on the shares of Adecco S.A. over the lifetime of the MCB. In accordance with the terms of the prepaid forward, Adecco Investment was to receive the shares of Adecco S.A. from the Company with the settlement of the prepaid forward. Adecco Investment financed the coupon payments with EUR 108 (CHF 164) from the sale of a call spread option ("call spread option") to Adecco Financial Services (Bermuda) Ltd, a wholly owned consolidated subsidiary of the Company. The call spread option gave the Company the right to benefit from appreciation of the shares underlying the prepaid forward between floor and cap defined in the agreement. In 2012, the call spread option was settled in shares, reducing the net number of shares the Company had to deliver in combination with the prepaid forward. In 2012, the Company delivered 19,157,073 shares of Adecco S.A. to Adecco Investment upon settlement of the prepaid forward and received 26,009 shares from Adecco Investment upon settlement of the call spread option. The shares were delivered out of treasury shares.

In addition, in 2009, the Company made a payment of EUR 8 (CHF 12) to Adecco Investment, which was treated as a deemed capital contribution. The number of shares underlying the prepaid forward, the call spread option, and the MCB were subject to anti-dilution provisions. The bondholders only had recourse against the prepaid forward. Subsequently, Adecco Investment granted a loan of EUR 116 (CHF 176) to the Company, which has been fully repaid by November 26, 2012.

The Company issued in the past stock option plans whereby employees and members of the Board of Directors received options to purchase shares. No stock options under these plans were granted after 2004. The purpose of the plans was to furnish incentives to selected employees and members of the Board of Directors, to encourage employees to continue employment with the Company, and to align the interests of selected employees and directors with those of the shareholders. Upon exercise of stock options, Adecco S.A. may deliver either shares from its conditional capital, of which up to 4,166,804 shares are reserved for this purpose, or from its treasury shares. The Nomination & Compensation Committee was responsible for making proposals, based upon the recommendations of the Executive Committee, to the Board of Directors regarding the individuals to whom options were granted, the size of the option grant for each optionee, the conditions, the exercise price, and the grant date. The Board of Directors had to approve all the option grants as well as the conditions thereof. The exercise price for one share was generally fixed at or above the fair market value at the date of grant. Depending on the conditions of the plans, options vested with certain waiting periods of up to five years, and are subsequently exercisable over a number of years. All options may be exercised at any time within the exercise period except for limitations set forth in the Company's Insider Trading Statement of Policy and by regulatory authorities. The Board of Directors may modify, amend, suspend, or discontinue the plans.

The summary of the status of the stock options held based on above-mentioned plans as of December 31, 2012 is as follows:

	Number of shares	Weighted-average exercise price per share (in CHF)	Weighted-average remaining life (in years)	Aggregate intrinsic value (in CHF millions)
Summary of stock option plans				
Options outstanding and vested as of January 1, 2012	**103,140**	**78**	**1.0**	
Forfeited	(8,110)	74		
Expired	(86,480)	79		
Options outstanding and vested as of December 31, 2012	**8,550**	**73**	**1.1**	

The aggregate intrinsic value as of December 31, 2012 of the outstanding stock options in the table above is zero. For further details, refer to Note 9 to the consolidated financial statements.

For information pertaining to the share awards granted under the long-term incentive plans ("LTIP"), refer to Note 9 to the consolidated financial statements and the Remuneration Report.

Board of Directors as of December 31, 2012

Rolf Dörig

- *Chairman*

Andreas Jacobs

- *Vice-Chairman*
- *Chairman of the Nomination & Compensation Committee*
- *Member of the Audit Committee*

Board of Directors, Executive Committee, and compensation

3. Board of Directors

As of December 31, 2012, the Board of Directors of Adecco S.A. consisted of eight members.

3.1 Biographies of members of the Board of Directors

The following sets forth the name, year of birth, entry date, terms of office, nationality, professional education, and principal positions of those individuals who served as members of the Board of Directors as of December 31, 2012:

Rolf Dörig

- Swiss national, born 1957. Rolf Dörig has been Chairman since January 2009 and a member of the Board of Directors since May 2007. He was a member of the Nomination & Compensation Committee from May 2007 until the end of 2008 and of the Corporate Governance Committee until May 2008. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Rolf Dörig obtained a doctorate degree in law (Dr. iur.) from the University of Zurich, Switzerland, and was subsequently admitted to the Bar.
- After joining Credit Suisse in 1986, he held a number of executive positions in various areas of banking and different geographical markets. As a member of the Group Executive Board, he was assigned responsibility for Swiss corporate and retail banking from 2000 onwards. In 2002, he held the position of Chairman, Switzerland. Rolf Dörig was Chief Executive Officer of the Swiss Life Group from November 2002 until May 2008, when he was elected to the Board of Directors.
- Rolf Dörig is Chairman of the Board of Directors of Swiss Life Holding AG[1], Vice-Chairman of the Board of Directors of Kaba Holding AG[1], Chairman of the Board of Directors of Danzer AG, member of the Board of Directors of Walter Frey Holding AG, all in Switzerland. Furthermore, Rolf Dörig is a member of the Board Committee of economiesuisse, Switzerland.

Andreas Jacobs

- German national, born 1963. Andreas Jacobs has served as Vice-Chairman of the Board of Directors since January 1, 2012, as a member of the Board of Directors since May 2006, as Chairman of the Nomination & Compensation Committee since May 2008, and as a member of the Audit Committee since April 2011. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- After studying law at the universities of Freiburg and Munich (Germany) and Montpellier (France), Andreas Jacobs obtained a doctorate degree (Dr. iur.) in European competition law from the University of Freiburg, Germany. He also holds an MBA from INSEAD in Fontainebleau, France.
- Andreas Jacobs has been an independent entrepreneur since 1992, with a stake in several European and North American companies. From 1991 to 1993, he worked as a consultant and project manager at Boston Consulting Group in Munich, Germany.

Wanda Rapaczynski

- *Chairwoman of the Corporate Governance Committee*
- *Member of the Nomination & Compensation Committee*

Thomas O’Neill

- *Member of the Corporate Governance Committee*
- *Member of the Nomination & Compensation Committee*

- Andreas Jacobs is Executive Chairman of Jacobs Holding AG, Chairman of Barry Callebaut AG[1], Minibar AG, Jacobs Venture AG, Triventura AG, and of Niantic Finance AG, all in Switzerland. He is Chairman of Maine Chance Farms Pty Ltd., South Africa. Furthermore, he is a member of the Board of Directors of various smaller private companies.

Wanda Rapaczynski

- United States national, born 1947. Wanda Rapaczynski has been a member of the Board of Directors since May 2008. She has been serving as Chairwoman of the Corporate Governance Committee since April 2011 (member since May 2008) and as a member of the Nomination & Compensation Committee since April 2011. Her one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Wanda Rapaczynski holds a master's degree in management from Yale University, USA, and a PhD in psychology from the City University of New York, USA. Wanda Rapaczynski was a postdoctoral fellow at the Educational Testing Service at Princeton University, USA. Between 1980 and 1982, she held the position of Project Director at the Family Television Research and Consultation Center at Yale University, USA. She held leading positions at Citibank and was co-founder and Chief Executive Officer of the Polish media group Agora S.A.[1], Poland, where she currently serves on the Supervisory Board and as head of the Compensation Committee.
- Wanda Rapaczynski is a member of the Board of Trustees and head of the Audit Committee of the Central European University in Budapest, Hungary. She is a member of the International Advisory Board of The Brookings Institution, Washington, D.C., USA. She is a member of the Polish group in the Trilateral Commission.

Thomas O’Neill

- Canadian national, born 1945. Thomas O’Neill has served as Vice-Chairman of the Board of Directors from January 2009 to December 2011, as a member of the Board of Directors since June 2004, as a member of the Corporate Governance Committee from May 2006 to May 2010 and from January 2012 onwards, as a member of the Audit Committee from June 2004 to April 2011, and as member of the Nomination & Compensation Committee since April 2011. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Thomas O'Neill graduated with a bachelor of commerce degree from Queen's University in Kingston, Ontario, Canada. He obtained his designation as FCA in 1988. In 2005, he was granted an honorary doctorate degree in law (LL.D.) by Queen's University, Kingston, Canada.
- Thomas O'Neill joined the audit staff of Price Waterhouse in Toronto in 1967, and became a partner in 1978. Until his departure in 2002, he held various leadership positions in both the Canadian firm (Toronto) and in the global firm (New York), including the position of CEO and Chairman of PwC Consulting (global). Thomas O’Neill was a member of the Board of Dofasco Inc., Canada, from May 2003 to February 2006, of the Ontario Teachers’ Pension Plan from January 2003 until April 2007, and of Nexen Inc. from De-

1 Listed company.

Alexander Gut

- *Chairman of the Audit Committee*
- *Member of the Corporate Governance Committee*

Dominique-Jean Chertier

- *Member of the Audit Committee*

cember 2002 to February 2013. Thomas O'Neill was Vice-Chairman of Queen's University, Kingston, Ontario, Canada from 2004 to 2006, and a member of the International Monetary Fund's External Audit Committee (from January 2008 until November 2010).

- Thomas O'Neill is Chairman of the Board of BCE Inc[1] and is a member of the Board of Loblaw Companies Ltd[1], and Bank of Nova Scotia (Scotiabank)[1], all in Canada.
- Furthermore, he is Vice-Chairman of the Board of Trustees of St. Michael's Hospital, Canada.

Alexander Gut

- British and Swiss national, born in 1963. Alexander Gut has been a member of the Board of Directors since May 2010, since then he has been serving on the Audit Committee and on the Corporate Governance Committee. Since April 2011 he has served as Chairman of the Audit Committee. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Alexander Gut holds a doctorate degree in business administration (Dr. oec. publ.) from the University of Zurich, Switzerland, and is a Swiss Certified Accountant.
- From 1991 to 2001 he was with KPMG in Zurich and London and from 2001 to 2003 with Ernst & Young in Zurich, where he became a partner in 2002. From 2003 to 2007 he was a partner with KPMG in Zurich, where he became a member of the Executive Committee of KPMG Switzerland in 2005.
- Alexander Gut is the founder and managing partner of Gut Corporate Finance AG. Furthermore, he is a member of the Board of Directors of Holcim AG[1], Switzerland.

Dominique-Jean Chertier

- French national, born 1950. Dominique-Jean Chertier has been a member of the Board of Directors and a member of the Audit Committee since April 2012. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Dominique-Jean Chertier obtained a doctorate degree (arts) from Sorbonne University, France. From 1992 to 2002, he held the position of Chief Executive Officer at Unedic (French Unemployment Insurance). From 2002 to 2003, he was Social Advisor to the French Prime Minister. Dominique-Jean Chertier was Executive Vice President of Safran Group[1] from 2003 to 2011. Since 2011, he has been Deputy CEO of Safran Group[1] (France).
- Dominique-Jean Chertier has been a member of the Board of Directors of Air France since 2004 and was Chairman of POLE EMPLOI (French employment and unemployment national agency) from 2008 to 2011.

David Prince

- *Member of the Audit Committee*

Didier Lamouche

- *Member of the Corporate Governance Committee*

David Prince

- British national, born 1951. David Prince has been a member of the Board of Directors since June 2004. He has been serving on the Audit Committee from June 2004 to April 2006 and from May 2008 onwards, and on the Corporate Governance Committee from June 2004 to May 2006. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- David Prince is an associate member of the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Purchasing and Supply (CIPS).
- He started his career in the oil and gas industry as part of a management trainee scheme at British Gas, later attending business school in the UK. Following accountancy roles at Philips Industries and TRW, he joined Cable & Wireless, holding accountancy, general management, and group marketing positions in the UK and in Hong Kong. From 1994 to 2000, he worked for Hong Kong Telecom plc (HKT) as Group Finance Director, followed by an appointment as Deputy CEO. In 2000, David Prince became Group CFO of PCCW plc, Hong Kong. From 2002 to 2004, he worked for Cable & Wireless as Group Finance Director. Since 2004 he has acted as investment advisor to companies based in Asia, China, and Australia.
- David Prince is a member of the Board of Directors and Chairman of the Audit Committee of ARK Therapeutics[1], UK, and is a member of the Board of Directors of SmarTone Telecommunications Holdings Ltd[1], Hong Kong and of various companies of Wilson Parking Group, Australia.

Didier Lamouche

- French national, born 1959. Didier Lamouche has been a member of the Board of Directors and a member of the Corporate Governance Committee since April 2011. His one-year term of office ends on the day of the General Meeting of Shareholders in 2013.
- Didier Lamouche obtained a PhD in semiconductor technology from Ecole Centrale de Lyon, France. He was CEO of Altis Semiconductor, a joint venture between IBM and Infineon. From 2003 to 2005, he held the position of Vice President of Worldwide Semiconductor Operations at IBM Microelectronics. From 2005 to 2010, Didier Lamouche was Chairman and Chief Executive Officer at Bull, a French IT group with a worldwide presence. Since November 2010 until March 2013, he was Chief Operating Officer and Vice-Chairman of the Corporate Strategic Committee of STMicroelectronics[1], Switzerland. In addition to this role, since December 2011 until March 2013, he was President of the Executive Board and CEO of ST-Ericsson S.A., Switzerland.
- Didier Lamouche was a member of the Board of Directors of STMicroelectronics from 2006 to 2010. Didier Lamouche was a non-executive Director of the Boards of various listed (Atari[1], France) and non-listed companies (CAMECA, France), and is a member of the Board of Directors of Soitec S.A.[1], France.

1 Listed company.

3.2 Other activities and vested interests of the Board of Directors

Except those described in section 3.1 "Biographies of members of the Board of Directors", no permanent management/consultancy functions for significant domestic or foreign interest groups and no significant official functions or political posts are held by the members of the Board of Directors of Adecco S.A. The Board of Directors assesses the independence of its members.

As of December 31, 2012, all members of the Board of Directors were non-executive. The members of the Board of Directors do not have important business connections with Adecco S.A. or with any of its subsidiaries or affiliates.

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, members of the Board of Directors, and significant shareholders through investment or Board directorship.

3.3 Elections and terms of office

Pursuant to the Articles of Incorporation, the Board of Directors consists of five to nine members (Art. 20 sec. 1 of the Articles of Incorporation; Internet: www.aoi.adecco.com). Members of the Board of Directors are elected for a term of office of one year, until the date of the next Annual General Meeting of Shareholders, and may be re-elected for successive terms (Art. 20 sec. 2 and 3 of the Articles of Incorporation; Internet: www.aoi.adecco.com). Adecco S.A.'s Articles of Incorporation do not limit the number of terms a member may be re-elected to the Board of Directors. Candidates to be elected or re-elected to the Board of Directors are proposed by the Board of Directors to the General Meeting of Shareholders.

3.4 Internal organisation structure

The Board of Directors holds the ultimate decision-making authority of Adecco S.A. for all matters except those reserved by law or the Articles of Incorporation to the shareholders. It determines the overall strategy of the Company and supervises the management of the Company. The Board of Directors operates under the direction of the Chairman and the Vice-Chairman who are appointed by the Board of Directors. As of December 31, 2012, the Board of Directors is composed of eight non-executive members. The agenda of the Board of Directors' meetings is set by the Chairman. Any member of the Board of Directors may request that an item be included on the agenda. Members of the Board of Directors are provided, in advance of meetings, with adequate materials to prepare for the items on the agenda. The Board of Directors recognises the importance of being fully informed on material matters involving the Company and seeks to ensure that it has sufficient information to make appropriate decisions through, at the decision of the Chairman, inviting members of management or other individuals to report on their areas of responsibility, conducting regular meetings of the respective committees (the Audit Committee, the Corporate Governance Committee, and the Nomination & Compensation Committee) with management, and retaining outside consultants and external auditors where appropriate, as well as through regular distribution of important information to its members. Decisions are taken by the Board of Directors as a whole, with the support of its three committees. The Chairman has no casting vote. If a member of the Board of Directors has a personal interest in a matter, other than an interest in his/her capacity as a shareholder of Adecco S.A., such member shall abstain from voting, where adequate. Amongst others, the Board of Directors has established Statements of Policy on Insider Trading as well as on Conflicts of Interest. The compliance with all Statements of Policy is closely monitored.

Each committee has a written charter outlining its duties and responsibilities, and regularly meets with management and, where appropriate, outside consultants. Committee members are provided, in advance of meetings, with adequate materials to prepare for the items on their agenda.

In 2012, the Board of Directors held eleven meetings and phone conferences.

Attendance at meetings and phone conferences during 2012:

	Full Board of Directors	Audit Committee	Corporate Governance Committee	Nomination & Compensation Committee
Number of meetings in person	5	4	4	4
Number of phone conferences	6	5		
Average duration in hours:				
• Meetings in person	5 ¾	2 ¾	1 ¼	1 ¼
• Phone conferences	¼	1		
Rolf Dörig	11	4[1]	3[1]	3[1]
Andreas Jacobs	11	8	3[1]	4
Wanda Rapaczynski	11		4	4
Thomas O'Neill	11	1[1]	4	4
Alexander Gut	11	9	4	
Dominique-Jean Chertier[2]	6	5		
David Prince	11	9		
Didier Lamouche	7		2	
Jakob Baer[3]	4		2	

1 Guest, without voting right.

2 Member of the Board of Directors since April 24, 2012.

3 Member of the Board of Directors until April 24, 2012.

The Board of Directors has discussed and assessed its own and its members' performance. The Board of Directors concluded that the Board performed well and has the necessary resources and capacities available.

3.4.1 Audit Committee ("AC")

The AC's primary responsibility is to assist the Board of Directors in carrying out its responsibilities as they relate to the Company's accounting policies, internal controls, and financial reporting practice, thus overseeing management regarding the:
- Integrity of the Company's financial statements and other financial reporting and disclosure to any governmental or regulatory body and to the public and other users thereof;
- Adequacy and effectiveness of the systems of the Internal Controls Over Financial Reporting ("ICOFR") and of the disclosure controls;
- Performance of the Company's internal audit function;
- Qualifications, engagement, compensation, independence, and performance of the Company's independent auditors, their conduct of the annual audit and interim reviews, and their engagement for any other services (refer to section 8. "Auditors"); and
- The Company's compliance with legal and regulatory requirements relating to accounting, auditing, financial reporting, and disclosure, or other financial matters.

In 2012, the AC held nine meetings and phone conferences. For specific subjects, the CEO represents the Executive Committee in the meetings. The Chief Financial Officer ("CFO"), the Head of Group Accounting, the Head of Group Internal Audit, and the partners of the external auditors typically participate in the meetings.

As of December 31, 2012, the members of the AC were:

Name	Position
Alexander Gut	Chairman of the AC
Andreas Jacobs	Member
Dominique-Jean Chertier	Member
David Prince	Member

3.4.2 Corporate Governance Committee ("CGC")

The CGC's primary responsibility is to assist the Board of Directors in carrying out its responsibilities as they relate to Corporate Governance principles. The CGC is charged with developing and recommending appropriate Corporate Governance principles and independence rules to the Company, including principles and measures on Corporate Responsibility as well as reviewing and reassessing such principles and rules to ensure that they remain relevant and in line with legal and stock exchange requirements. Recommendations as to best practice are also reviewed to ensure compliance.

In 2012, the CGC held four meetings. For specific subjects, the CEO represents the Executive Committee in the meetings. The Chief Human Resources Officer and the Head of Group Compliance Reporting typically participate in the meetings.

As of December 31, 2012, the members of the CGC were:

Name	Position
Wanda Rapaczynski	Chairwoman of the CGC
Alexander Gut	Member
Didier Lamouche	Member
Thomas O'Neill	Member

3.4.3 Nomination & Compensation Committee ("NCC")

The NCC's primary responsibility is to assist the Board of Directors in carrying out its responsibilities as they relate to the Company's nomination and compensation matters. The NCC is mainly responsible for the following functions:

- Providing recommendations to the Board of Directors regarding the general compensation policy of the Company, including incentive compensation plans and equity-based plans;
- Providing recommendations to the Board of Directors regarding the selection of candidates for the Executive Committee, the terms of their employment, and the evaluation of their performance;
- Reviewing and approving the objectives relevant to the compensation of the Executive Committee and a further group of senior managers;
- Assuring talent management including retention and succession planning; and
- Establishing criteria for the selection of candidates and recommending candidates for election or re-election to the Board of Directors, including candidates for Committees of the Board of Directors, and including recommendations on compensation of the members of the Board of Directors.

In 2012, the NCC held four meetings. For specific subjects, the CEO represents the Executive Committee in the meetings. The Chief Human Resources Officer typically participates in the meetings. Members of management do not participate in NCC meetings when their individual compensation matters are discussed.

As of December 31, 2012, the members of the NCC were:

Name	Position
Andreas Jacobs	Chairman of the NCC
Thomas O'Neill	Member
Wanda Rapaczynski	Member

3.5 Responsibilities of the Board of Directors and the CEO

In addition to the determination of the overall strategy of the Company and the supervision of management, the Board of Directors addresses key matters such as acquisitions, long-term financial commitments, management structure, risk management, budget approval, compensation policy, corporate identity policy, guidelines, and policy statements. The Board of Directors approves the strategy and objectives of the Company, and the overall structure of Adecco developed by the CEO together with the Executive Committee. With the support of the AC, it reviews and approves the statutory financial statements of Adecco S.A. and the consolidated accounts of the Company. The Board of Directors also considers other matters of strategic importance to the Company. Subject to the powers reserved to the Board of Directors, the Board of Directors has delegated the coordination of the day-to-day business operations of the Company to the CEO. The CEO is responsible for the implementation of the strategic and financial plans as approved by the Board of Directors and represents the overall interests of the Company vis-à-vis third parties.

3.6 Information and control instruments

The Board of Directors' instruments of information and control vis-à-vis management consist of the following main elements:

- All members of the Board of Directors regularly receive information about current developments.
- The CEO reports to the Chairman of the Board of Directors on a regular basis, while extraordinary events are communicated immediately.
- Formal meetings of the Board of Directors and of the Board's Committees including sessions with the CEO and with other members of the Executive Committee or other individuals, at the invitation of the Chairman.
- Informal meetings and phone conferences between members of the Board of Directors and the CEO, as well as with other members of the Executive Committee.
- The management information system of the Company which includes (i) the monthly financial results including key performance indicators and (ii) a structured quarterly operational review of the major countries. Summarised consolidated monthly reports are distributed to each member of the Board of Directors; further details are provided to the members of the Board of Directors upon request.
- The Internal Audit function as established by the Board of Directors; the Head of Group Internal Audit reports to the AC; the responsibilities of Internal Audit are defined by the AC as part of their oversight function in coordination with the CEO and CFO. Internal Audit is concerned with the assessment of how the Company (i) complies with pertinent laws, regulations and stock exchange rules relating to accounting, auditing, financial reporting and disclosure or other financial matters and (ii) conducts its related affairs and (iii) maintains related controls.
- The Company has a risk management process in place which focuses on managing risks as well as identifying opportunities: refer to the Company Report, section "Risk management" and to Note 18 "Risk management" to the Adecco Group consolidated financial statements. The process is embedded in the Company's strategic and organisational context and covers the significant risks for the Company including financial, operational, and strategic risks. The Board of Directors oversees the management's risk analysis and the measures taken based on the findings of the risk review process.
- External Audit: Refer to section 8. "Auditors".

Patrick De Maeseneire

- *Chief Executive Officer*

Dominik de Daniel

- *Chief Financial Officer and Head of Global Solutions*

Alain Dehaze

- *Regional Head of France*

4. Executive Committee

4.1 Biographies of the members of the Executive Committee

The following sets forth the name, year of birth, year of entry to the Company, nationality, professional education, and principal positions of those individuals who served as members of the Executive Committee of the Company as of January 1, 2013.

Patrick De Maeseneire

- Chief Executive Officer and member of the Executive Committee since June 2009.
- Belgian national, born 1957. Patrick De Maeseneire joined the Adecco Group as CEO in June 2009.
- He trained as a commercial engineer at the Solvay Business School of Brussels University (ULB), Belgium, and studied marketing management at Ghent University. Patrick De Maeseneire also completed studies in business management at the London Business School and INSEAD, Fontainebleau, France.
- From 1980 to 1997, he held executive positions at Sun International and Apple Computer, as well as senior positions at Wang in Belgium and Arthur Andersen Consulting.
- Patrick De Maeseneire held leading positions within the Adecco Group between 1998 and 2002, starting as Country Manager for the Benelux region before leading the Adecco Group's worldwide professional staffing business from New York. He served as Chief Executive Officer of Barry Callebaut from June 2002 to May 2009.
- In 2007, Patrick De Maeseneire was granted the title of Baron by King Albert II of Belgium.

Dominik de Daniel

- Chief Financial Officer and member of the Executive Committee since April 2006. In addition, Dominik de Daniel is Head of Adecco's Global Solutions: Lee Hecht Harrison ("LHH", since 2011), as well as Pontoon and Beeline (both since 2010).
- German national, born 1975. Dominik de Daniel joined the Adecco Group as CFO in April 2006, following Adecco's acquisition of DIS Deutscher Industrie Service AG.
- Dominik de Daniel was a bank trainee at Deutsche Bank AG before completing vocational studies in banking and business administration at the Bankakademie. Starting in 1993, he worked for Deutsche Bank in Germany in various roles, including stock analyst. Dominik de Daniel joined DIS AG in 2000, and was appointed to the Executive Board in 2001 with responsibility for Investor Relations, M&A and Strategic Controlling, and became CFO in 2002.

Alain Dehaze

- Regional Head of France since August 2011, Regional Head of Northern Europe from October 2009 to July 2011, and member of the Executive Committee since October 2009.
- Belgian national, born 1963. Alain Dehaze joined the Adecco Group in September 2009.
- Alain Dehaze trained as a commercial engineer at the ICHEC Brussels Management School, Belgium.
- From 1987 until 2000, Alain Dehaze held senior positions in a number of European countries at Henkel and ISS. In 2000, he became Managing Director of Creyf's Interim in Belgium (now Start People). From 2002 to 2005, he was Chief Executive Officer of Solvus. Following the acquisition of Solvus by USG People, the Netherlands, in 2005, he became the Chief

Robert P. (Bob) Crouch

• *Regional Head of North America*

Peter Searle

• *Regional Head of UK & Ireland*

Andreas Dinges

• *Regional Head of Germany & Austria*

Operating Officer of USG People, with overall responsibility for operations, including the integration of Solvus. From September 2007 until joining Adecco, he was CEO of the staffing services company Humares, the Netherlands.
- Alain Dehaze is Vice President of the Board of the European Confederation of Private Employment Agencies (Eurociett). He is a member of the Board of the International Confederation of Private Employment Agencies (Ciett).

Robert P. (Bob) Crouch
- Regional Head of North America and member of the Executive Committee since May 2012.
- United States national, born 1968.
- Bob Crouch holds a bachelor of science degree from the University of Florida and a master's degree in accounting from the University of North Carolina at Chapel Hill, USA.
- From 1992 to 1995, Bob Crouch was a Senior Auditor with Arthur Andersen LLP. Thereafter, he joined Accustaff (later MPS Group). From 2001 until 2010, Bob Crouch was Chief Financial Officer of MPS Group Inc. and was elected to the Board of MPS in 2008. Bob Crouch played a key role in developing MPS Group into the leading provider of professional staffing solutions in North America. From January 2011 until May 2012, he was the President of RPC Partners Inc., a consulting services firm with a primary emphasis on financial & management consulting.

Peter Searle
- Regional Head of UK & Ireland and member of the Executive Committee since October 2009.
- British national, born 1962. Peter Searle rejoined the Adecco Group in October 2009 as Regional Head of UK & Ireland.
- Peter Searle holds an honours degree in business from University of Wolverhampton, UK and a post-graduate diploma in marketing.
- Following Adecco's acquisition in 1999 of Delphi Group, of which he was Group Managing Director, Peter Searle took on responsibility for all the European and Asia Pacific offices of the professional services companies of the Adecco Group, under the brand name of Ajilon. In 2005, he became Chief Executive of Adecco UK in a role that covered a variety of sectors, including general recruitment, IT, engineering, finance, and RPO. From 2006, he was CEO of Spring Group which was acquired by Adecco in 2009.

Andreas Dinges
- Regional Head of Germany & Austria and member of the Executive Committee since October 2009.
- German national, born 1959.
- Andreas Dinges graduated in business administration from the University of Cologne, Germany.
- Andreas Dinges started his career at 3M Company in 1988, working in various positions, with a focus on marketing and sales. From 2002 to 2006, he was the spokesman of the Executive Board of 3M ESPE AG, assuming responsibility for 3M's dental business in Europe, including Eastern Europe, the Middle East, and Africa. He joined the Adecco Group in 2006 as CEO of DIS Deutscher Industrie Service AG. In January 2009, he was appointed Country Manager for Germany.

Christophe Duchatellier

- *Regional Head of Japan & Asia*

Martín Alonso

- *Regional Head of Northern Europe*

Federico Vione

- *Regional Head of Italy, Eastern Europe & India*

- Andreas Dinges is a commercial judge at the district court in Dusseldorf, Germany. He is a member of the board of the Bundesverband Zeitarbeit Personal-Dienstleistungen, Germany.

Christophe Duchatellier
- Regional Head of Japan & Asia and member of the Executive Committee since January 2013.
- French national, born 1962.
- Christophe Duchatellier holds a master's degree in labour law from Sorbonne University, France, and a master's degree in human resources from Assas, France.
- Christophe Duchatellier started his career with Michael Page in 1992 as Consultant Tax & Legal. He became Regional Managing Director, Michael Page Europe, and a member of Michael Page's Executive Board. Christophe Duchatellier joined the Adecco Group in 2010 as Managing Director, Professional Staffing in France. In March 2012, he was appointed Regional Head Asia.

Martín Alonso
- Regional Head of Northern Europe and member of the Executive Committee since August 2011.
- Spanish national, born 1964.
- Martín Alonso graduated in business administration from the University of Basque Country, Spain.
- Martín Alonso joined Adecco Spain in 1993 as Branch Manager. In 1998, after having held various operational positions, he was appointed Finance Manager for Adecco Spain and Portugal. From 2003 to 2005, he was the Regional Finance Manager for Adecco Central Europe. As of 2007, he also took on the role of Operational Manager for Adecco Portugal. From 2009 to June 2011, he held the position of Finance Manager for Iberia & South America.

Federico Vione
- Regional Head of Italy, Eastern Europe & India since September 2011; Regional Head of Italy & Eastern Europe and member of the Executive Committee since October 2009.
- Italian national, born 1972.
- Federico Vione graduated in economics from G. D'Annunzio University, Pescara, Italy.
- Federico Vione joined Adecco in 1999 as Branch Manager and was soon appointed Manager of the Abruzzo-Molise area. In 2001, he became the first National Key Account Manager for the chemical and pharma sector, and subsequently for the large-scale trade sector. In 2002, he was appointed General Manager of the newly created professional staffing business Ajilon S.r.l., and in 2004 he became General Manager of Ajilon Switzerland. In 2005, Federico Vione was appointed Project Leader Global Account Management Adecco Group and subsequently Head of Eastern Europe. In January 2009, he was appointed Country Manager Adecco Italy.
- Federico Vione was President of Assolavoro (Associazione Nazionale delle Agenzie per il Lavoro), Italy from 2010 to 2012.

Enrique Sanchez

• *Regional Head of Iberia & Latin America*

Sergio Picarelli

• *Chief Sales Officer*

Christian Vasino

• *Chief Human Resources Officer*

Enrique Sanchez
- Regional Head of Iberia & Latin America and member of the Executive Committee since October 2009.
- Spanish national, born 1967.
- Enrique Sanchez obtained a degree in psychology at Complutense University, Madrid, Spain, and holds an MBA from IESE, Madrid, Spain.
- Enrique Sanchez joined Adecco Spain in 1993 as Branch Manager. In 1995, he became Regional Manager of the Central Region. Two years later, he was appointed Operations Manager, and in 2001 President and General Manager of Adecco Spain and Portugal. From 2003 to 2005, Enrique Sanchez was General Manager for Spain and Portugal, and was also responsible for the development of the company in Latin America and Eastern Europe. In 2005, he returned to Spain, becoming responsible for Adecco Group Iberia.

Sergio Picarelli
- Chief Sales Officer and member of the Executive Committee since October 2009.
- Italian national, born 1967.
- Sergio Picarelli graduated in business administration from Bocconi University, Milan, Italy.
- In 1993, Sergio Picarelli joined Adecco in Italy, starting as Managing Director of an Adecco Group Company (Permanent Placement). In 1997, he was appointed Chief Sales and Marketing Director Italy. From 2002 to 2004, Sergio Picarelli served as Regional Head for Central Europe and was thereafter appointed Chief Operating Officer of Adecco Staffing Division Worldwide. From 2005 to 2009 he served as Country Manager of Adecco Italy & Switzerland (Switzerland until the end of 2008). From January 2009 until his appointment as Chief Sales Officer, he served as Chief International Sales Officer of the Adecco Group.

Christian Vasino
- Chief Human Resources Officer and member of the Executive Committee since April 2007.
- Italian national, born 1972.
- Christian Vasino holds a law degree from Turin University, Italy.
- Christian Vasino worked as a lawyer and then moved into the area of human resources. In 1998 he joined United Technologies Group as Recruiting, Training, and Development Manager Italy. He then moved to Pechiney, Italy as Human Resources Manager, and in 2001, he became Director of Human Resources of Irisbus Italy (IVECO Group). In December 2003, he joined Adecco Italy as HR Director, based in Milan. In May 2005, Christian Vasino joined the Adecco Corporate Headquarters in Switzerland as Vice President Group Human Resources.

4.2 Other activities and vested interests

Except those described above in 4.1 "Biographies of the members of the Executive Committee", no further permanent management/consultancy functions for significant domestic or foreign interest groups and no significant official functions or political posts are held by the members of the Executive Committee of Adecco S.A.

4.3 Management contracts

There are no significant management contracts between the Company and external providers of services.

5. Compensation, shareholdings, and loans

Please refer to the Remuneration Report.

Further information

6. Shareholders' rights

Please also refer to the Articles of Incorporation (Internet: www.aoi.adecco.com).

Information rights
Swiss law allows any shareholder to obtain information from the Board of Directors during the General Meeting of Shareholders provided that no preponderant interests of Adecco S.A., including business secrets, are at stake and the information requested is required for the exercise of shareholders' rights. Shareholders may only obtain access to the books and records of Adecco S.A. if authorised by the Board of Directors or the General Meeting of Shareholders. Should Adecco S.A. refuse to provide the information rightfully requested, shareholders may seek a court order to gain access to such information. In addition, if the shareholders' inspection and information rights prove to be insufficient, each shareholder may petition the General Meeting of Shareholders to appoint a special commissioner who shall examine certain specific transactions or any other facts in a so-called special inspection. If the General Meeting of Shareholders approves such a request, Adecco S.A. or any shareholder may within 30 days ask the court of competent jurisdiction at Adecco S.A.'s registered office to appoint a special commissioner. Should the General Meeting of Shareholders deny such a request, one or more shareholders who hold at least 10% of the equity capital, or shares with an aggregate nominal value of at least CHF 2 million, may petition the court of competent jurisdiction to appoint a special commissioner. Such request must be granted and a special commissioner appointed if the court finds prima facie evidence that the Board of Directors breached the law or did not act in accordance with Adecco S.A.'s Articles of Incorporation. The costs of the investigation are generally allocated to Adecco S.A. and only in exceptional cases to the petitioner(s).

Dividend payment
Adecco S.A. may only pay dividends from unappropriated available earnings, the general reserves, or other reserves distributable in accordance with Art. 675 of the Swiss Code of Obligations.

Companies whose principal purpose consists of participations in other companies may freely use the general reserves to the extent they exceed 20% of the paid-in share capital. Pursuant to Art. 671 para. 1 of the Swiss Code of Obligations, 5% of the annual profits shall be allocated to the general reserves until they have reached 20% of the paid-in share capital. In addition, pursuant to Art. 671 para. 2 and para. 4 of the Swiss Code of Obligations, companies whose principal purpose consists of participations in other companies shall allocate to the general reserves the following: (1) any surplus over par value upon the issue of new shares after deduction of the issue cost, to the extent such surplus is not used for depreciation or welfare purposes; (2) the excess of the amount which was paid-in on cancelled shares over any reduction on the issue price of replacement shares. The general reserves amounted to CHF 1,607 million and CHF 1,912 million as of December 31, 2012 and December 31, 2011, respectively, thereby exceeding 20% of the paid-in share capital in both years.

In 2012, upon approval at the Annual General Meeting of Shareholders, dividends for 2011 of CHF 1.80 per share, totalling CHF 307 million (EUR 256 million), were allocated from Adecco S.A.'s reserve from capital contributions to free reserves and subsequently distributed to shareholders. For 2012, the Board of Directors of Adecco S.A. will propose a dividend of CHF 1.80 per share outstanding for the approval of shareholders at the Annual General Meeting of Shareholders to be allocated from Adecco S.A.'s reserve from capital contributions to the free reserves and subsequently distributed to shareholders.

Liquidation and dissolution
The Articles of Incorporation do not limit Adecco S.A.'s duration.

Adecco S.A. may be dissolved and liquidated at any time by a resolution of a General Meeting of Shareholders taken by at least two-thirds of the votes allocated to all issued shares (Art. 27 of the Articles of Incorporation; Internet: www.aoi.adecco.com). Under Swiss law, Adecco S.A. may also be dissolved by a court order upon the request of holders of Adecco S.A. shares representing at least 10% of Adecco S.A.'s share capital who assert significant grounds for the dissolution of Adecco S.A. The court may also grant other relief. The court may at any time, upon request of a shareholder or obligee decree the dissolution of Adecco S.A. if the required corporate bodies are missing. Adecco S.A. may also be dissolved following bankruptcy proceedings.

Swiss law requires that any net proceeds from a liquidation of Adecco S.A., after all obligations to its creditors have been satisfied, be used first to repay the nominal equity capital of Adecco S.A. Thereafter, any remaining proceeds are to be distributed to the holders of Adecco S.A. shares in proportion to the nominal value of those Adecco S.A. shares.

Further capital calls by Adecco S.A.
Adecco S.A.'s share capital is fully paid up. Hence, the shareholders have no liability to provide further capital to Adecco S.A.

Subscription rights
Under Swiss law, holders of Adecco S.A. shares have pre-emptive rights to subscribe to any issuance of new Adecco S.A. shares in proportion to the nominal amount of Adecco S.A. shares held by that holder. A resolution adopted at a General Meeting of Shareholders with a supermajority may suspend these pre-emptive rights for significant and material reasons only. Pre-emptive rights may also be excluded or limited in accordance with Adecco S.A.'s Articles of Incorporation (Internet: www.aoi.adecco.com).

6.1 Voting rights and representation restrictions

For further details refer to section 2.6 "Limitations on registration, nominee registration, and transferability".

Pursuant to the Articles of Incorporation, a shareholder may be represented by (i) the shareholder's legal representative, (ii) a third person who needs not be a shareholder with written proxy, (iii) a corporate body of Adecco S.A., (iv) an independent proxy, or (v) a depository (Art. 17 sec. 2 of the Articles of Incorporation; Internet: www.aoi.adecco.com). At a General Meeting of Shareholders, votes are taken by poll.

6.2 Legal and statutory quorums

There is no provision either in the Articles of Incorporation or under Swiss law requiring a quorum to be present for a General Meeting of Shareholders except for the one according to Art. 27 of the Articles of Incorporation. The General Meeting of Shareholders shall constitute a quorum regardless of the number of shareholders present and regardless of the number of shares represented (Art. 18 sec. 1 of the Articles of Incorporation; Internet: www.aoi.adecco.com).

There are no quorums in Adecco S.A.'s Articles of Incorporation which require a majority greater than set out by applicable law except for the case of a dissolution where at least a two-thirds majority of the votes allocated to all issued shares is required (refer to Art. 27 of the Articles of Incorporation; Internet: www.aoi.adecco.com).

In addition to the powers described above, the General Meeting of Shareholders has the power to vote on amendments to Adecco S.A.'s Articles of Incorporation (including the conversion of registered shares to bearer shares), to elect the members of the Board of Directors, the statutory auditors and any special auditor for capital increases, to approve the Annual Report, including the statutory financial statements and the annual group accounts, and to set the annual dividend. In addition, the General Meeting of Shareholders has competence in connection with the special inspection and the liquidation of Adecco S.A.

6.3 Convocation of the General Meeting of Shareholders

Notice of a General Meeting of Shareholders must be provided to the shareholders by publishing a notice of such meeting in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt") at least 20 days before the meeting. The notice must state the items on the agenda and the proposals of the Board of Directors and the shareholders who demanded that a General Meeting of Shareholders be called or asked for items to be put on the agenda. Admission to the General Meeting of Shareholders is granted to any shareholder registered in Adecco S.A.'s share register with voting rights at a certain record date, which will be published together with the invitation to the General Meeting of Shareholders in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt").

6.4 Agenda

Under Swiss corporate law, an ordinary General Meeting of Shareholders shall be held within six months after the end of each fiscal year. Extraordinary General Meetings of Shareholders may be called by the Board of Directors or, if necessary, by the statutory auditors. In addition, an extraordinary General Meeting of Shareholders may be called by a resolution of the shareholders adopted during any prior General Meeting of Shareholders or, at any time, by holders of shares representing at least 10% of the share capital.

The Swiss Code of Obligations is applicable to the right to request that a specific item be put on the agenda of a General Meeting of Shareholders and discussed and voted upon. Holders of Adecco S.A. shares with a nominal value of at least CHF 1 million have the right to request that a specific proposal be discussed and voted upon at the next General Meeting of Shareholders.

6.5 Registration in the share register

Shareholders will be registered in the share register of Adecco S.A. until the record date defined in the invitation to a General Meeting of Shareholders to be published in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt"). Only shareholders who hold shares registered in the share register with a right to vote at a certain date, or their representatives, are entitled to vote. There are no specific rules regarding the granting of exemptions from the above deadline.

7. Changes of control and defence measures

7.1 Duty to make an offer

The Articles of Incorporation of Adecco S.A. do not contain opting-up or opting-out clauses in the sense of Art. 22 and 32 of the Federal Act on Stock Exchanges and Securities Trading ("SESTA"). Therefore, pursuant to the applicable provisions of the SESTA, if any person acquires shares of Adecco S.A., whether directly or indirectly or acting together with another person, which, added to the shares already owned, exceed the threshold of 33⅓% of the voting rights of Adecco S.A., irrespective of whether the voting rights are exercisable or not, that person must make an offer to acquire all of the listed equity securities of Adecco S.A. There is no obligation to make a bid under the foregoing rules if the voting rights in question are acquired as a result of a donation, succession, or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings or if an exemption is granted.

Adecco S.A.'s Articles of Incorporation do not contain any provisions other than those mentioned in this report (refer to section 2.6 "Limitations on registration, nominee registration, and transferability") that would have an effect of delaying, deferring, or preventing a change in control of Adecco S.A.

7.2 Change of control clause

There are no change of control clauses in place in favour of members of the Board of Directors or members of the Executive Committee.

8. Auditors

Each year, the Annual General Meeting of Shareholders of Adecco S.A. elects the statutory auditor. On April 24, 2012, the Annual General Meeting of Shareholders elected Ernst & Young Ltd, Zurich, as statutory auditor of the Company for the business year 2012.

Ernst & Young Ltd has served the Company as its Independent Auditor since 2002. André Schaub has acted as the lead auditor since 2012. Thomas Stenz has been the global coordinating partner since 2011. Robin Errico acted as lead auditor from 2008 to 2011.

The total fee for the Group audit of the Company and for the statutory audits of the Company's subsidiaries for the fiscal year 2012 amounted to EUR 6.0 million.

For the fiscal year 2012, additional fees of EUR 0.3 million were charged for audit-related services such as advice on matters not directly related to the Group audit and other services. Fees for tax services were not significant, and fees for other services (mainly in connection to the issuance of comfort letters) amounted to an additional EUR 0.1 million.

The AC oversees the Company's financial reporting process on behalf of the Board of Directors. In this capacity, the AC discusses, together with the Independent Auditor, the conformity of the Company's financial statements with accounting principles generally accepted in the United States and the requirements of Swiss law.

The AC regularly meets with the Independent Auditors, at least four times a year, to discuss the results of their examinations, and the overall quality of the Company's financial reporting. During 2012, the Independent Auditors attended all meetings and phone conferences of the AC. The Independent Auditors regularly have private sessions with the AC, without the CEO, the CFO, or any other member of the Executive Committee attending. The AC assessed with the Company's Independent Auditors the overall scope and plan for the 2012 audit of the Company. The Independent Auditors are responsible for expressing an opinion on the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. Further, the Independent Auditors are required, under the auditing standards generally accepted in the United States, to discuss, based on written reports, with the AC their judgements as to the quality, not just the acceptability, of the Company's accounting policies as applied in the Company's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and disclosures. Further, the Independent Auditors are responsible for expressing opinions on the standalone financial statements of Adecco S.A.

The AC oversees the work of the Independent Auditors and it reviews, at least annually, their qualification, performance, and independence. It discusses with the Independent Auditors the auditors' independence from management and the Company, and monitors audit partner rotation. The AC considers the compatibility of non-audit services with the auditors' independence and pre-approved all audit and non-audit services provided by the Independent Auditors. Services may include audit-related services, tax services, and other services.

The AC proposes the Independent Auditors to the Board of Directors for election by the shareholders and is responsible for approving the audit fees. Each year a proposal for fees for audit services is submitted by the Independent Auditors and validated by the CFO, before it is submitted to the AC for approval.

9. Information policy

The Annual General Meeting of Shareholders for the fiscal year 2012 is planned to be held on April 18, 2013, at Beaulieu Lausanne Centre de Congrès et d'Expositions, in Lausanne, Switzerland. The venue details will be published in the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt") at least 20 days before the meeting.

Adecco S.A. provides quarterly media releases on the Company's consolidated and divisional results as per the following agenda:

May 7, 2013	Q1 2013 results;
August 8, 2013	Q2 2013 results;
November 6, 2013	Q3 2013 results.

For further investor information, including inscription to push and pull services, refer to Internet: http://ir.adecco.com.

To order a free copy of this Annual Report and for further information, please refer to the contact addresses listed on the inside back cover of the Annual Report (Internet: http://ir.adecco.com).

Remuneration Report

Adecco's Remuneration Report reflects the requirements of section 5 of the Directive on Information Relating to Corporate Governance, issued by the SIX Swiss Exchange as amended on October 29, 2008. Adecco S.A.'s principles regarding remuneration take into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance as amended on September 6, 2007. In addition, the Remuneration Report comprises information as required under the Swiss Code of Obligations (Art. 663b^{bis} and 663c para. 3), which is included in Note 8 to Adecco S.A. (Holding Company) financial statements. For further information regarding Adecco's Corporate Governance refer to the Corporate Governance Report.

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

1. Determination of remuneration principles and compensation

In order to maintain its competitive positioning as a global employer, the Company reviews market conditions on a continual basis. Compensation is dependent on outside influences including geographical location, industry, competition, and general business climate. Therefore, the Company's country organisations conduct regular local salary surveys and review country-specific economic data to determine their merit increase guidelines. In general, compensation of the Board of Directors and of the members of the Executive Committee is reviewed annually to ensure that competitive pay is maintained and undesired fluctuations are minimised.

The Company's compensation programmes, which include equity based compensation elements, are approved by the Board of Directors ("Board"). The Board has entrusted its Nomination & Compensation Committee ("NCC") with providing recommendations to the Board, taking into account proposals of the Chief Executive Officer ("CEO") and the Chief Human Resources Officer, regarding the remuneration principles and general compensation philosophy of the Company, and with reviewing and approving the objectives relevant to the compensation of the Executive Committee and a further group of senior managers. The NCC is composed of independent Board members only (for further details on NCC composition, tasks, and activities refer to the Corporate Governance Report, section 3.4.3 "Nomination & Compensation Committee").

The remuneration of the Board is determined by the full Board, upon recommendation from the NCC. The compensation of the Executive Committee is authorised by the full Board, upon recommendation from the NCC. The members of the Executive Committee do not attend meetings of the NCC and of the Board when matters concerning their own compensation are being decided. The compensation of the other employees of the Company is authorised by the responsible members of management, based on the remuneration principles and general compensation philosophy of the Company. The findings and decisions of the NCC are reported to the Board by the Chairman of the NCC.

In order to ensure that compensation is in line with market standards, the NCC commissioned international independent external consultants (Towers Watson AG, Zurich, Switzerland) to provide a compensation benchmark analysis for 2012. Members of the Executive Committee with global responsibility (CEO, Chief Financial Officer ("CFO"), Chief Sales Officer, and Chief Human Resources Officer) were benchmarked against comparable functions in terms of revenue and number of employees under scope in a selected reference group of 21 Swiss companies of different industries. Companies in the financial service industry were included in the assessment for the CFO and for the Chief Human Resources Officer only.

The compensation packages of members of the Executive Committee with geographical responsibility were benchmarked against the packages of comparable functions in terms of revenue and number of employees in the respective countries of residency. More than 220 companies worldwide active in different industries, and which can be considered potential employers of the individuals in question were included in the benchmark. Out of these companies, for each region, a specific peer group was determined. Towers Watson has been commissioned in 2012 with additional Human Resources related survey work of minor scope.

The compensation model applied for 2012 remained unchanged compared to the one applied for 2011. Minor modifications were introduced regarding the short-term incentive plan bonus base and the long-term incentive plan target bonus base amount for some members of the Executive Committee, taking into account the results of the compensation review, and for a further group of senior managers (as further explained in section 2.3 "Elements of the Executive Committee's compensation"). Total compensation accrued in 2012 for the members of the Executive Committee increased compared to 2011, primarily due to severance payments.

2. Remuneration principles

2.1 The Company's compensation philosophy

The Company's compensation philosophy seeks to recognise and reward performance. Taking into consideration Group and business unit contributions as well as individual contributions, the compensation programmes are designed to attract, retain, motivate, and reward employees in order to support the achievement of the Company's financial and strategic objectives and also to ensure that the total compensation opportunity is internally consistent and externally competitive.

It is the Company's aim to align its compensation philosophy with the shareholders' interests and to foster collaboration between countries, units, and departments. The compensation is to be fair and competitive and therefore the base salaries are aligned at a median level of the relevant peer companies used in the benchmarked analysis. The positioning at the median results from considering factors such as revenues, employees under scope, and, if listed in Switzerland, market capitalisation. In addition, further responsibilities beyond the typical scope of the function are taken into consideration. The Company strives to recognise and reward team performance. Thus, as a general rule, individual quantitative targets are not used for bonus purposes in the current compensation programmes. Economic Value Added ("EVA") targets, defined in line with the Company's strategic long-term projections, are used for the short-term bonuses. EVA is a measure of a company's financial performance, based on residual income. According to this concept, value is only created if operating income after the deduction of taxes is greater than the minimal required rate of return on the invested capital, equal to the company's weighted average cost of capital ("WACC"). The calculation is based on the Company's net operating profit after taxes ("NOPAT"). Invested capital is defined as total assets, excluding cash and including gross acquired goodwill and other gross acquired intangibles since the introduction of the EVA concept, minus non-interest bearing liabilities. The Company applies a 10% cost of capital across all its entities, while the actual WACC in the reporting period was lower. Long-term incentive plans are in place to increase the focus on long-term objectives.

2.2 Elements of the Board of Directors' compensation

The members of the Board of Directors are compensated with an annual fixed cash fee whilst the Chairman is compensated for a fixed portion of his remuneration with Adecco S.A. shares (see section 3.1.1 "Board of Directors' compensation and shareholding"). When determining the members' and the Chairman's compensation, the Board of Directors takes into account, at its own discretion, the various functions and responsibilities within the Board of Directors and its committees as well as the recommendation of the NCC.

2.3 Elements of the Executive Committee's compensation

2.3.1 Compensation programme 2012 for the Executive Committee

The compensation model includes fixed and variable elements, whereby for the determination of the variable part of the compensation, no other targets than the ones mentioned in the description of short- and long-term incentive plans are relevant:

- base salary, taking into account market conditions for comparable functions and positions;
- social charges, pension plan contributions, and fringe benefits;
- short-term incentive plan, based on annual, ambitious, and transparent performance objectives;
- long-term incentive plan, including performance share awards based on ambitious internal and external performance objectives and restricted share unit awards.

Base salary: the annual base salary represents payment for due job performance and is determined by the Company, based on the findings of the benchmark studies (see section 1. "Determination of remuneration principles and compensation"), taking into account comparable functions and positions, considering amongst other elements, the number of employees reporting to the function, revenues generated under the function, and additional responsibilities beyond the typical scope of the function. The base salary rewards employees for performing day-to-day responsibilities and reflects job characteristics, seniority, experience, and skill sets. It is paid in cash, typically in monthly instalments, and is set according to local practice designed to provide the Company's employees with fixed compensation to ensure an appropriate standard of living relative to that offered by reference companies. The annual base salary also serves as the basis for determining the variable compensation.

Social charges, pension plan contributions, and fringe benefits: social charges and pension plan contributions are awarded based on local regulations and practices. Fringe benefits include amongst other items car allowance for private use, car lease financed by the Company, membership fees, house allowance, relocation, education, health insurance, representation allowance, and tax equalisation payments (for one member of the Executive Committee).

Short-term incentive plan ("STIP"): the STIP is a cash incentive programme (annual bonus). For members of the Executive Committee with geographical responsibility, 35% of the STIP bonus base is related to the EVA of the Company and 65% is related to the EVA for the relevant financial year at geographical level. For the members of the Executive Committee who do not have direct responsibility for a specific geographical area, the entire STIP is based on the EVA of the Company for the relevant financial year. The STIP bonus base for members of the Executive Committee ranges between 60% and 100% of the participant's base salary, and has been determined by the NCC upon proposal of the CEO and of the Chief Human Resources Officer taking into account the participant's function and responsibilities. For 2012, the entitlement to the STIP based bonus is limited at 150% of the STIP bonus base, resulting in a cap at 150% of the base salary for the highest paid member of the Executive Committee.

Long-term incentive plan ("LTIP"): under the LTIP, performance share awards were granted in 2012 to members of the Executive Committee. Performance share awards contain an undertaking to deliver a number of Adecco S.A. shares to the participants of the plan after the end of the performance period (end of performance period for the 2012 awards: December 31, 2014), provided and to the extent that certain employment conditions and performance targets are met. In addition to the performance share awards, as a further component, restricted share unit awards ("RSU awards") have been awarded in 2012.

The LTIP target bonus base amount is defined as a percentage of the participant's base salary. Such percentage depends upon the participant's function and responsibilities and has been determined by the NCC upon proposal of the CEO and of the Chief Human Resources Officer. For members of the Executive Committee, the percentage ranges between 60% and 120% - of the participant's base salary. 65% of the LTIP target bonus base is allocated to RSU awards and 35% to performance share awards, i.e. total shareholder return ("TSR") awards. Of these 35%, half is allocated to relative TSR awards and half is allocated to absolute TSR awards. Furthermore, an additional 17.5% of the LTIP target bonus base is allocated to the additional TSR awards.

The LTIP is subject to certain reclaim provisions in case benefits were acquired by involvement in fraudulent behaviour or intentional misconduct.

Performance share awards
Performance share awards granted consisted of relative TSR awards, absolute TSR awards, and additional TSR awards. The additional TSR awards will vest if relative and absolute TSR performance reach a certain level of achievement.

The performance targets relate to the change in Adecco S.A.'s shareholder value, measured as the total shareholder return taking into consideration reinvested dividends. At the end of the performance period, the performance is measured, determining whether and to which extent the performance targets have been achieved. Any TSR performance adjustments are at the discretion of the NCC. Upon approval of the NCC, the awards vest accordingly in favour of the respective participants, and all restrictions on the awards are lifted (for the awards granted in 2012: not before March 15, 2015). Those awards which do not vest, lapse immediately. Certain country specific sale restrictions apply after vesting for participants in France.

Participants who terminate their employment with the Company at their own will, and those who receive notice of termination for cause before the end of the performance period, will no longer be entitled to the vesting of the awards. In case of an involuntary termination without cause, a time-weighted pro-rata portion of the unvested performance share awards will vest at the regular vesting date depending on the level of target achievement.

The maximum number of performance share awards under the LTIP that may vest in favour of the members of the Executive Committee after the end of the performance period is indicated in the table under section 3.5.2 "Share awards".

Relative TSR awards measurement principles: the Adecco S.A. TSR over the performance period, including invested dividends, of approximately three years is compared with the weighted-average TSR of a predefined group of peers. The composition of the peer group is determined by the NCC and, for 2012, comprised the following companies: Alten, Altran Technologies, Assystem, Brunel International, CDI Corporation, Hays, Kelly Services, Kforce, Manpower Group, Meitec, Michael Page International, On Assignment, Pasona Group, Randstad Holding, Resources Connection, Robert Half International, Robert Walters, Sthree, Temp Holdings, TrueBlue, and USG People. The performance targets for the relative TSR awards have been determined by the NCC as follows: with an Adecco S.A. TSR lower than the weighted-average TSR of the peer group, there will be no entitlement to the vesting of the relative TSR part of the award. With an Adecco S.A. TSR that exceeds the weighted-average TSR of the peer group, the participants will be entitled to the vesting of performance share awards to the following extent: if the positive difference between Adecco S.A. TSR and the weighted-average TSR of the peer group is between 0 and 5 percentage points, awards will vest in a linear mode between 0% and 100% of the number of awards granted. The entitlement is capped at 100% of the relative TSR part of the award.

Absolute TSR awards measurement principles: in case the performance of the Adecco S.A. TSR, measured as the compound annual growth rate ("CAGR") in Adecco S.A.'s shareholder value, including reinvested dividends, exceeds a certain target over a period of approximately three years, awards will vest in a linear mode between 50% and 100% of the number of awards granted depending on the level of target achievement and overachievement. The performance targets for the absolute TSR awards have been determined by the NCC. These targets are set for a specific business year and are considered highly confidential as they would allow competitors to understand the objectives of the Company. They are not published in order to protect competitive information.

Additional TSR awards measurement principles: if at the end of the performance period, the performance target of the absolute TSR awards is fully achieved and the performance target of the relative TSR awards is overachieved, additional TSR awards will vest, depending on the degree of overachievement of the relative TSR awards target. If the positive difference between Adecco S.A. TSR and the weighted-average TSR of the peer group is between 5 and 10 percentage points, additional TSR awards will vest in a linear mode between 0% and 100% of the number of awards granted.

RSU awards

RSU awards contain an undertaking to deliver a number of Adecco S.A. shares to the participants of the plan. The vesting of the awards is not subject to performance conditions but to employment conditions. Provided that the employment relationship continues, RSU awards will vest in equal portions over a period of three years at the anniversaries of the grant. The RSU awards for French participants cliff-vest after a period of two years and contain certain sale restrictions after vesting.

Participants, who terminate their employment with the Company at their own will, and those who receive notice of termination for cause before a vesting date, will no longer be entitled to the vesting of the RSU awards. In case of an involuntary termination without cause, a time-weighted pro-rata portion of RSU awards will vest at the regular vesting date.

The maximum number of shares under the RSU award part of the plan that may vest in favour of the members of the Executive Committee is indicated in the table under section 3.5.2 "Share awards".

2.3.2 Compensation programme 2013 for the Executive Committee

The NCC has decided to continue the existing compensation programme for the Executive Committee, as described under section 2.3.1 "Compensation programme 2012 for the Executive Committee" with the following modification to the LTIP: to determine the number of share awards to be granted under the LTIP, the LTIP target bonus base amount is divided by the average closing price of the Adecco S.A. share. The period relevant to calculate the average price is defined by the NCC in accordance with pre-determined rules.

Furthermore, for 2013, the STIP bonus base for members of the Executive Committee ranges between 60% and 120% of the participant's base salary.

3. Details of compensation elements

3.1 Compensation and shareholding of members of the Board of Directors and the Executive Committee

The amounts indicated in this paragraph include honorariums (fees), salaries, loans, bonuses, and compensation in kind (according to market value at time of conferral). The members of the Board of Directors are compensated in cash. The Chairman is partially compensated with Adecco S.A. shares. The amount conferred to the members of the Board of Directors for the fiscal year 2012 amounted to CHF 4.8 million. The total of all compensation conferred for the fiscal year 2012 to all members of the Executive Committee, including bonus payments for 2012 due in 2013, and awards granted in 2012 under the LTIP, at grant date fair value, amounted to CHF 28.5 million. Not included are bonus payments due for 2011 but made during 2012 as this information was disclosed in 2011.

Individual compensation and shareholding for 2012 and 2011 are shown in the following tables:

3.1.1 Board of Directors' compensation and shareholding

For the year 2012

in CHF (except shares)	Office/ compensation period in 2012	Net compensation for term served	Social contributions[1] Old age insurance and other	Shareholding as of December 31, 2012[2]
Name and function				
Rolf Dörig, Chairman	since Jan. 2012	1,800,000[3]	239,242	47,000
Andreas Jacobs, Vice-Chairman	since Jan. 2012	450,000		714,915[4]
Dominique-Jean Chertier	since Apr. 2012	225,000	33,000	1,000
Alexander Gut	since Jan. 2012	424,224	59,956	13,200
Didier Lamouche	since Jan. 2012	282,114	41,375	
Thomas O'Neill	since Jan. 2012	332,640	40,942	6,000
David Prince	since Jan. 2012	289,132	40,410	5,539
Wanda Rapaczynski	since Jan. 2012	450,000		7,700
Jakob Baer	until Apr. 2012	71,968	7,152	n.a.
Subtotal		**4,325,078**	**462,077**	
Total			**4,787,155**	**795,354**

1 Including Directors' and Company's social contributions.

2 Indicating the number of registered shares held, with a par value of CHF 1 each. The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity related securities of Adecco S.A.

3 CHF 300,000 of the total net compensation was paid with Adecco S.A. shares (6,555 shares at a price of CHF 45.76 per share).

4 Refer to Corporate Governance Report, section 1.2 "Significant shareholders" and Note 6 "Significant shareholders" to Adecco S.A. (Holding Company) financial statements regarding shares held by a group of which Andreas Jacobs is a member.

For the year 2011

in CHF (except shares)	Office/ compensation period in 2011	Net compensation for term served	Social contributions[1] Old age insurance/ pensions and other	Shareholding as of December 31, 2011[2]
Name and function				
Rolf Dörig, Chairman	since Jan. 2011	1,800,000[3]	237,123	35,000
Thomas O'Neill, Vice-Chairman	since Jan. 2011	427,690	53,061	6,000
Jakob Baer	since Jan. 2011	320,984	39,282	5,101
Alexander Gut	since Jan. 2011	377,069	53,656	11,940
Andreas Jacobs	since Jan. 2011	450,000		714,915[4]
Didier Lamouche	since Apr. 2011	211,781	30,823	
David Prince	since Jan. 2011	290,002	9,998	5,539
Wanda Rapaczynski	since Jan. 2011	400,000		7,700
Francis Mer	until Apr. 2011	107,571	11,722	n.a.
Judith A. Sprieser	until Apr. 2011	100,000	100,000	n.a.
Subtotal		**4,485,097**	**535,665**	
Total			**5,020,762**	**786,195**

1 Including Directors' and Company's social contributions.

2 Indicating the number of registered shares held, with a par value of CHF 1 each. The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity related securities of Adecco S.A.

3 CHF 300,000 of the total net compensation was paid with Adecco S.A. shares.

4 Refer to Corporate Governance Report, section 1.2 "Significant shareholders" and Note 6 "Significant shareholders" to Adecco S.A. (Holding Company) financial statements regarding shares held by a group of which Andreas Jacobs is a member.

3.1.2 Executive Committee's compensation

For the year 2012

in CHF	Patrick De Maeseneire, CEO[1]	Total Executive Committee[2]
Gross cash compensation[3]:		
• Base salary	1,800,000	9,145,981
• Annual bonus	1,440,000	5,938,496
Compensation in kind[4]	120,000	1,573,033
Social contributions[5]:		
• Old age insurance/pensions and other	619,953	2,163,458
• Additional health/accident insurance	53,078	167,850
Other including severance[6]		3,084,302
Total conferred	**4,033,031**	**22,073,120**
Share awards granted in 2012 under the long-term incentive plan (LTIP)[7]:		
• RSU awards	1,458,786	4,945,927
• Relative TSR awards	157,105	532,657
• Absolute TSR awards	152,810	518,081
• Additional TSR awards	101,763	345,012
Social contributions on awards, estimated[5]		52,457
Total conferred including LTIP	**5,903,495**	**28,467,254**

1 Highest conferred individual compensation in 2012.

2 In 2012, the Executive Committee consisted of Patrick De Maeseneire, Dominik de Daniel, Alain Dehaze, Peter Searle, Andreas Dinges, Mark Du Ree, Martín Alonso, Federico Vione, Enrique Sanchez, Sergio Picarelli, and Christian Vasino (all since January 2012), Robert P. (Bob) Crouch (since May 2012), and Theron I (Tig) Gilliam Jr. (until April 2012). Notice periods of up to 12 months apply. For certain members of the Executive Committee, based on mandatory local law, severance payments may become due in case of termination.

3 Including employee's social contributions.

4 Car allowance for private use, car lease financed by the Company, membership fees, housing allowance, relocation, education, health insurance, representation allowance. Includes tax equalisation payments to a member of the Executive Committee, partly refundable to the Company in the future.

5 Employer's social contributions.

6 Including share awards granted under the LTIP, not forfeiting due to severance agreement, valued at grant date values.

*7 Value in CHF of Adecco S.A. shares awarded in 2012 under the LTIP 2012 (grant date: March 16, 2012).
Valuation of the share awards granted:*

- *The grant date fair value of the restricted share unit awards ("RSU awards") is equal to the closing price of the Adecco S.A. share on the day of grant less a 3% discount which takes into consideration that RSU awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of RSU awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares.*
- *The grant date values of the total shareholder return awards ("TSR awards") are calculated based on the closing price of the Adecco S.A. share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective TSR targets will be met at the end of the performance period. The probability factors of 0.40, 0.39, and 0.26 for relative, absolute, and additional TSR awards, respectively, have been determined using a binomial model. A discount of 3% is applied which takes into consideration that TSR awards are not entitled to dividends during the vesting period. An additional discount of 11% is applied to the value of TSR awards granted to the French participants, related to a 2-year post-vesting restriction on sale of shares by the participants.*
- *The per-share value of awards granted in 2012 amounts to CHF 42.32 and CHF 47.55 for RSU awards, CHF 16.93 and CHF 19.02 for relative TSR awards, CHF 16.46 and CHF 18.50 for absolute TSR awards, and CHF 10.96 and CHF 12.32 for additional TSR awards (lower values: French participants).*
- *Included are the awards granted to Theron I (Tig) Gilliam Jr. in 2012.*

For the year 2011

in CHF	Patrick De Maeseneire, CEO[1]	Total Executive Committee[2]
Gross cash compensation[3]:		
• Base salary	1,800,263	9,214,661
• Annual bonus	1,620,000	6,131,195
Compensation in kind[4]	120,000	1,137,987
Social contributions[5]:		
• Old age insurance/pensions and other	332,160	2,354,279
• Additional health/accident insurance	38,114	117,014
Other cash payments, including severance payments		1,883,245
Total conferred	**3,910,537**	**20,838,381**
Share awards granted in 2011 under the long-term incentive plan (LTIP)[6]:		
• RSU awards	1,213,242	4,194,197
• Relative TSR awards	130,987	452,850
• Absolute TSR awards	87,246	301,625
• Additional TSR awards	58,776	203,200
Social contributions on awards, estimated[5]		49,237
Total conferred including LTIP	**5,400,788**	**26,039,490**

1 Highest conferred individual compensation in 2011.

2 In 2011, the Executive Committee consisted of Patrick De Maeseneire, Dominik de Daniel, Alain Dehaze, Theron I (Tig) Gilliam Jr., Peter Searle, Andreas Dinges, Mark Du Ree, Federico Vione, Enrique Sanchez, Sergio Picarelli, and Christian Vasino (all since January 2011), Martín Alonso (since August 2011), and François Davy (until June 2011). Notice periods of up to 12 months apply. For one member of the Executive Committee, severance payments of approximately CHF 0.9 million would be due in case of termination of the employment contract by the employer. For certain members of the Executive Committee, based on mandatory local law, severance payments may become due in case of termination.

3 Including employee's social contributions.

4 Car allowance for private use, car lease financed by the Company, membership fees, housing allowance, relocation, education, health insurance, representation allowance. Includes tax equalisation payments to a member of the Executive Committee, partly refundable to the Company in the future.

5 Employer's social contributions.

6 Value in CHF of Adecco S.A. shares awarded in 2011 under the LTIP 2011 (grant date: March 16, 2011).
Valuation of the share awards granted:
- *The grant date fair value of the restricted share unit awards ("RSU awards") is equal to the closing price of the Adecco S.A. share on the day of grant less 3% discount related to non-entitlement of RSU awards to dividend until vesting. An additional discount of 11% is applied to the value of RSU awards granted to the French participants, related to additional 2-year post-vesting restrictions on sale of shares.*
- *The grant date values of the total shareholder return awards ("TSR awards") are calculated based on the closing price of the Adecco S.A. share on the day of grant multiplied by the respective probability factors. These factors reflect the likelihood that the respective TSR targets will be met at the end of the performance period. The probability factors of 0.40, 0.27, and 0.18 for relative, absolute, and additional TSR awards, respectively, have been determined using a binomial model. A discount of 3% is applied in relation to non-entitlement of TSR awards to dividend until vesting. An additional discount of 11% is applied to the value of TSR awards granted to the French participants, related to additional 2-year post-vesting restrictions on sale of shares by the participants.*
- *The per-share value of awards granted in 2011 amounts to CHF 49.12 and CHF 55.19 for RSU awards, CHF 19.70 and CHF 22.13 for relative TSR awards, CHF 13.12 and CHF 14.74 for absolute TSR awards, and CHF 8.84 and CHF 9.93 for additional TSR awards (lower values: French participants).*
- *Included are the awards granted to François Davy in 2011. Not included are the awards granted to Martín Alonso in 2011 in his function before he became a member of the Executive Committee.*

For 2012, the variable portion of cash compensation (annual bonus) to the CEO amounted to 80% and for the other members of the Executive Committee ranged between 46% and 87% of the base salary. The variable portion of compensation consisting of share awards (at values as indicated in the previous table) to the CEO amounted to 104% and for the other members of the Executive Committee ranged between 52% and 118% of the base salary. The CEO has reached 80% of the STIP bonus base, and the other members of the Executive Committee have reached between 62% and 115% of the STIP bonus base.

3.2 Compensation of former members of Governing Bodies (Board of Directors, Executive Committee, closely linked parties)

No compensation payments were made to other former members of Governing Bodies in relation to their former offices.

3.3 Shares allocated to Governing Bodies

In 2012, no Adecco S.A. shares were allocated to current or former members of Governing Bodies, except for part of the Chairman's compensation paid with Adecco S.A. shares (refer to the table in section 3.1.1 "Board of Directors' compensation and shareholding").

3.4 Share ownerships of Governing Bodies

As of December 31, 2012, the members of the Board of Directors, including related parties, reported to hold 795,354 shares; not included are the shares held by a group of which Andreas Jacobs is a member (refer to section 1.2 "Significant shareholders" of the Corporate Governance Report and to Note 6 "Significant shareholders" to Adecco S.A. (Holding Company) financial statements). For the individual share ownerships of the Board of Directors, refer to the table in section 3.1.1 "Board of Directors' compensation and shareholding" and section 1.2 "Significant shareholders" of the Corporate Governance Report.

The members of the Executive Committee, including parties closely linked, reported share ownership as indicated in the following table:

Share ownership as of December 31[1]	Patrick De Maese-neire	Dominik de Daniel	Alain Dehaze	Robert P. (Bob) Crouch[2]	Peter Searle	Andreas Dinges	Mark Du Ree	Martín Alonso	Federico Vione	Enrique Sanchez	Sergio Picarelli	Christian Vasino	Theron I (Tig) Gilliam Jr.[3]	Total
2012	61,906	46,437	3,789		2,545	7,590	3,456	1,162	5,553		10,512	11,714	8,670	163,334
2011	8,959	32,873	1,366	n.a.	910	1,434	50	867	1,024		3,358	2,962	1,364	55,167

1 Indicating the number of registered shares held, with a par value of CHF 1 each.

2 Became a member of the Executive Committee in 2012.

3 Ceased to be a member of the Executive Committee in 2012, shareholding in 2012 indicated as per date of departure.

The members of the Board of Directors and the Executive Committee are required to disclose to the Company direct or indirect purchases and sales of equity related securities in accordance with the requirements of the SIX Swiss Exchange.

3.5 Stock options and share awards held by and granted to Governing Bodies

3.5.1 Stock options

Stock options outstanding, as granted since the merger of Adia and Ecco in 1996, exercised by, lapsed from, and held by the members of Governing Bodies in office as of December 31, 2012 and as of December 31, 2011, are presented in the following table (no stock options were granted since 2004):

As of December 31, 2012

During 2012, none of the stock options outstanding were exercised, and all stock options outstanding have lapsed.

As of December 31, 2011

	Last year of expiry detail									
Year of grant	Martín Alonso	Federico Vione	Christian Vasino	Strike price (CHF)	Granted	Exercised	Lapsed	Held by Martín Alonso	Held by Federico Vione	Held by Christian Vasino
Stock options held										
2003	2012	2012	2012	78.50	36,500	3,200	26,000	6,000	800	500

One option entitled the holder to purchase one Adecco S.A. share under the conditions as outlined in the respective plan.

For additional information on stock options, refer to the Corporate Governance Report, section 2.7 "Convertible notes and options".

3.5.2 Share awards

Awards granted 2012

Share awards held as of December 31, 2012 granted on March 16, 2012 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	30,679	24,780	55,459
Total Executive Committee	93,293	75,354	168,647

Awards granted 2011

Share awards held as of December 31, 2012 and December 31, 2011 granted on March 16, 2011 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	14,655	17,757	32,412
Total Executive Committee	43,169	51,174	94,343

December 31, 2011[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	21,983	17,757	39,740
Total Executive Committee	72,536	56,967	129,503

Awards granted 2010

Share awards held as of December 31, 2012 and as of December 31, 2011 granted on March 16, 2010 under the LTIP:

December 31, 2012[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	8,368	20,277	28,645
Total Executive Committee	25,725	60,243	85,968

December 31, 2011[1]	RSU awards	TSR awards[2]	Total
Patrick De Maeseneire	16,737	20,277	37,014
Total Executive Committee	56,528	66,390	122,918

Awards granted 2009

No share awards granted in 2009 were outstanding as of December 31, 2012.

Share awards held as of December 31, 2011 granted on March 16, 2009, and April 1, 2009 under the LTIP:

December 31, 2011[1]	EPS awards[3]	TSR awards	Total
Patrick De Maeseneire[4]	22,500	22,500	45,000
Total Executive Committee	70,042	109,137	179,179

1 Held, as of the date indicated, by members of the Executive Committee in office on December 31, 2012.

2 Split into relative TSR, absolute TSR, and additional TSR awards (one third each).

3 For EPS awards refer to the description of the long-term incentive plan for the awards granted in 2009 as described on pages 189 and 190 of the Annual Report 2009.

4 Special conditions: grant date April 1, 2009, vesting of 58% of the awards granted was guaranteed, subject to continued employment.

3.6 Additional fees and remuneration of Governing Bodies

No member of the Board of Directors has received any additional honorariums in 2012.

3.7 Loans granted to Governing Bodies

In 2012, the Company did not grant any guarantees, loans, advances or credits to members of the Board of Directors or to members of the Executive Committee, including closely linked parties.

The evolution of the Adecco Group is characterised by productive acquisitions, organic growth, industry innovation and global expansion, creating a story already spanning over 50 years. In 1996, the founding companies Adia and Ecco merged to form the global leader.

History

1957

Adia SA is founded in Lausanne, Switzerland, by Henri-Ferdinand Lavanchy. The firm grows rapidly in its home country before expanding abroad.

1964

Philippe Foriel-Destezet founds Ecco in Lyon. By the early 1980s, Ecco is the largest supplier of temporary personnel in France.

1961–1980

In the 1960s, Adia opens offices in various European countries and then in 1972 takes a first step overseas, with a branch in Menlo, California. In 1974, Lavanchy recruits Martin O. Pestalozzi and a phase of expansion by acquisitions begins. In the next twelve years, Adia buys over 85 companies, tripling in size and gaining footholds in more than a dozen countries. These include France (1975) and the UK (1977), where it buys the market leader: Alfred Marks Bureau Ltd.

Early 1980s

Adia continues to expand overseas, including Australia, New Zealand, Japan, Hong Kong and Canada. Meanwhile, Ecco is focusing on its home market. By the mid-1980s, it is the market leader in France and a decade later world no. 2. The growth of both companies is part of a wider trend: temporary staffing becomes the world's third-fastest growing industry in the 1980s.

Late 1980s

Revenues topping USD 1 billion in 1986 make Adia the European leader. Its success is partly down to a focus on quality and high-value services. The 1990s see a growing trend towards specialised skills, e.g. accounting and word-processing, including in-house training programmes.

1990s

Further acquisitions from the late 1980s onwards strengthen the presence in highly skilled, specialised fields. Also, moves are made into socially related programmes for mature workers in the USA, promoting the benefits of temporary work for retirees and the value for companies of tapping into their experience, skills and dedication. In 1991, recognising the importance of the industry's role in job creation and its growth potential, Klaus J. Jacobs invests in Adia on the way to becoming its majority shareholder.

1996

Adia and Ecco merge to form Adecco. Two of the world's top three personnel services firms, with complementary geographical profiles, merge to form a strong global leader with annualised revenues of over EUR 5.4 billion. Operations are combined to form a global network of 2,500 branches. The new company has an exceptional range and quality of services. The core staffing business places around 250,000 people in work each day.

1997–2000

The 1997 acquisition of TAD Resources International strengthens Adecco's technical and IT staffing business in the USA. In 2000, Adecco acquires the IT and generalist staffing business of the Olsten Corporation to become the no. 1 staffing services business in the USA and worldwide leader in the IT sector. The merged companies' revenues reach over EUR 11.6 billion, reflecting organic growth and successful acquisitions. Partnerships with Monster.com and Jobs.com mark Adecco's intent to be at the forefront of harnessing the web in the recruitment process.

2002

To keep at the forefront of the trend towards increasing demand for professional and expert services, Adecco consolidates its business under three operating divisions: Adecco Staffing; Ajilon Staffing/Managed Services; and Career Services/e-Business. Legislative change in Germany creates a more favourable environment for the growth of temporary staffing, reflecting greater acceptance of the industry's positive role in generating employment and economic growth.

2004

The acquisition of PeopleOne Consulting in India signals Adecco's commitment to play a leading role in the industry's development in Emerging Markets. As a result of the delay in the audit of the 2003 financial statements in early 2004, the Group strengthened its financial reporting and governance structure.

2005–2006

In 2005, Klaus J. Jacobs assumes the Chairman and CEO roles, initiating a strategy review. The Group's focus on professional staffing services intensifies. To create a strong platform for growth, Adecco's existing operations are realigned into global business lines defined by specific occupational fields, complementing the established office and industrial offering with professional staffing lines.

Acquisitions of Altedia and HumanGroup strengthen Adecco's involvement in professional segments in Europe. In 2006, the acquisition of DIS AG in Germany gives Adecco leadership in the German professional staffing industry. Adecco adopts a dual strategy focused on professional and general staffing.

2007

The Annual General Meeting of Shareholders approves the nomination of Jürgen Dormann as Chairman of the Board. Rolf Dörig becomes Vice-Chairman. As planned, Klaus J. Jacobs hands back his mandate. Adecco acquires Tuja Group, an industry leader in Germany, one of the world's fastest-growing temporary staffing markets.

2008

Adecco acquires the professional staffing businesses DNC in the Netherlands and IT specialist Group Datavance in France. Country operations take greater responsibility for growing professional business as the dual professional and general staffing model becomes further embedded.

September 11: Klaus J. Jacobs, co-founder and Honorary President of the Adecco Group, passes away. Jürgen Dormann, who contributed to the successful turnaround of the Group and its long-term strategy, steps down as Chairman of the Board at the end of the year. He is succeeded by Rolf Dörig on January 1, 2009.

2009

January 1: Rolf Dörig starts his term as Chairman of the Board of Directors of the Adecco Group. June 1: Patrick De Maeseneire becomes Chief Executive Officer of the Adecco Group.

Adecco acquires Spring Group in the UK, bolstering the Adecco Group's UK professional and general staffing business, and tables an offer for MPS Group, a leading professional staffing firm based in the USA.

2010

The acquisition of MPS Group is officially closed. With MPS's strength in North America and the UK, the Adecco Group also becomes the world leader in professional staffing.

Adecco sets up a joint venture in Shanghai with leading Chinese HR services company Fesco. FESCO Adecco begins operations on January 1, 2011, with over 100,000 associates and a well-established local and multinational client base.

2011

Adecco aquires US-based Drake Beam Morin Inc., taking the worldwide lead in Career Transition and talent development services.

2012

Adecco announces the acquisition of VSN Inc., a leading provider of professional staffing services in Japan. The acquisition expands the professional staffing exposure in the world's second-largest staffing market.

Henri Ferdinand Lavanchy, the founder of Adia, passes away.

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