Half Year Report 2007

better work, better life

Content

Adecco Group – Selected financial information (unaudited)

In millions, except share and per share information

For the six months ended (in EUR)	2007	2006
Statements of operations		
Revenues	10,273	9,812
Gross profit	1,962	1,696
Operating income	512	351
Net income	355	235

As of (in EUR)	30.6.2007	31.12.2006
Balance sheets		
Cash and cash equivalents and short-term investments	1,134	888
Trade accounts receivable, net	4,035	3,846
Goodwill	1,890	1,882
Total assets	8,105	7,682
Short-term debt and current maturities of long-term debt	378	38
Accounts payable and accrued expenses	3,518	3,544
Long-term debt, less current maturities	1,066	1,406
Total liabilities	5,337	5,175
Total shareholders' equity	2,741	2,466

For the six months ended (in EUR)	2007	2006
Cash flows		
Cash flows from operating activities	394	241
Cash flows from/(used in) investing activities	(56)	(256)
Cash flows from/(used in) financing activities	(78)	97
Other indicators		
Capital expenditures, net	(42)	(38)

As of	30.6.2007	31.12.2006
Other indicators		
Net debt (in EUR)[1]	310	556
Additional statistics		
Number of FTE employees at end of period (approximate)	36,000	35,000

1 Net debt is a non-U.S. GAAP measure and comprises short-term and long-term debt, and off balance sheet debt, to the extent there is any, less cash and cash equivalents and short-term investments. There was no off balance sheet debt at June 30, 2007 and December 31, 2006.

In millions, except share and per share information

1. Operational results

1.1 Overview

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

Group revenues for the first six months of 2007 were EUR 10,273, a 5% increase compared to the same period last year. In constant currency, revenues were up 7%. Acquisitions added 1% to revenue growth.

Gross margin improved 180 basis points ("bps") to 19.1% versus the first six months of 2006. Included in gross profit 2007 are EUR 144 related to the modification to the calculation of social charges in France (see also Note 1 to the consolidated financial statements which also outlines that no benefit is anticipated for periods after September 2007) which reduced the amount of payroll taxes and positively impacted the gross margin by 140 bps. The remaining enhancement of 40 bps in gross margin is mainly due to improved gross margins in the temporary staffing business, acquisitions, and the growing contribution from permanent placements.

Selling, general and administrative expenses ("SG&A") were up 8% on a reported basis and 11% in constant currency. SG&A as a percentage of revenues increased by 30 bps to 14.0% in 2007 (H1 2006: 13.7%). This increase is due to the costs related to the modification to the calculation of French social charges of EUR 43. The office network grew by 6% (+ 400 offices) and full time equivalent ("FTE") employees by 4% (+1,300 FTE employees) compared to the first six months last year. Excluding acquisitions the office network grew by 4% and FTE employees by 2%. At the end of June 2007, the Company had over 36,000 FTE employees and over 7,000 offices.

Operating income for the first six months of 2007 was EUR 512, an increase of 46% on a reported basis and 50% in constant currency. Operating income margin improved to 5.0% versus 3.6% for the same period last year. Included in the operating income for the first six months of 2007 is a benefit of EUR 101 related to the modification to the calculation of French social charges, which represents an increase in the operating income margin of 100 bps.

Net income was up 51% to EUR 355 in the first six months of 2007 (H1 2006: EUR 235). Basic earnings per share ("EPS") was EUR 1.92 (H1 2006: EUR 1.26). The modification of the calculation of French social charges contributed EUR 66 to net income and positively impacted EPS by EUR 0.36. Interest expense was EUR 26 compared to EUR 24 in the first six months of 2006. Other income/(expenses), net, were EUR 19, EUR 12 higher compared to the same period a year ago mainly due to higher interest income on a higher cash position. The effective tax rate in the first six months remained at 29%.

1.2 Geographical performance

In **France**, revenues grew 5% to EUR 3,385 in the first six months of 2007. Gross profit, SG&A, and operating income were impacted by the modification to the calculation of French social charges. Excluding this impact, the operating income margin increased by 50 bps to 3.8% compared to 3.3% for the first six months last year. Disciplined pricing and higher permanent placement revenues combined with a continued focus on cost efficiency are the reasons behind this improvement. Office and Industrial represented approximately 93% of France's revenues.

In the **USA & Canada**, revenues decreased versus the first six months of 2006 by 13% or 6% in constant currency in a generally weaker market environment. In particular, the improved customer mix in the Office and Industrial businesses resulted in 70 bps higher gross margin which combined with lower SG&A resulted in a 15% operating income growth in constant currency. The operating income margins improved to 4.4% compared to 3.6% in the first six months last year. Office and Industrial represented approximately 60% of the Company's revenues in the USA & Canada.

In millions, except share and per share information

In the first six months of 2007, **UK & Ireland** added 10% in revenues or 8% in constant currency driven by good demand in the Office and Industrial businesses as well as in Finance & Legal. The operating income margin decreased by 60 bps to 2.8% compared to the first six months of 2006. The Company plans to restructure this business in order to improve customer mix and cost efficiency, which will cause an additional expense of approximately EUR 5 in the second half of 2007.

In **Japan**, revenues decreased 5% or increased 7% in constant currency versus the first six months of 2006. The strong economy combined with a general shortage of human capital and good permanent placement revenues led to a better gross margin. The improvement in gross margin combined with a lower SG&A percentage of sales resulted in an operating income margin increase to 6.7% (H1 2006: 6.1%).

In **Germany**, the Company grew revenues by 61% versus the first six months of 2006. The acquisition of Deutscher Industrie Service AG ("DIS") added 36% to revenue growth. The healthy economic environment combined with higher acceptance levels of temporary staffing are the main drivers of the non acquisition related growth, particularly for the Industrial business.

In the **Nordics**, revenues increased by 31% (32% in constant currency) versus the first six months of 2006. Acquisitions added 6% to revenue growth.

Italy, Iberia and **Benelux** grew revenues by 8%, 7% and 6%, respectively, compared to the first six months of 2006.

In the **Emerging Markets** revenues grew by 8% or 15% in constant currency versus the first six months of 2006.

The geographical breakdown of revenues and operating income is provided below:

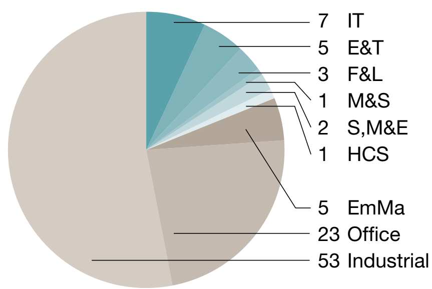
	H1 2007	H1 2006	Variance %		H1 2007	H1 2006	Variance %	
In EUR			EUR	Constant currency			EUR	Constant currency
	Revenues				**Operating income[2]**			
France	3,385	3,222	5%	5%	231	105	120%	120%
USA & Canada[1]	1,641	1,895	–13%	–6%	73	68	7%	15%
UK & Ireland[1]	956	869	10%	8%	27	30	–8%	–9%
Japan	694	727	–5%	7%	46	45	4%	17%
Italy	619	571	8%	8%	41	34	21%	21%
Iberia	552	515	7%	7%	33	31	4%	4%
Benelux	480	453	6%	6%	22	17	31%	31%
Nordics	463	354	31%	32%	17	21	–20%	–20%
Germany	495	308	61%	61%	51	23	120%	120%
Australia & New Zealand	228	200	14%	14%	5	3	81%	77%
Switzerland	205	186	10%	15%	18	14	23%	28%
Emerging Markets	555	512	8%	15%	16	17	–8%	–8%
Total Operating Units					**580**	**408**	**42%**	**46%**
Corporate expenses					(60)	(53)		
Amortisation of intangible assets					(8)	(4)		
Adecco Group	**10,273**	**9,812**	**5%**	**7%**	**512**	**351**	**46%**	**50%**

1 A business previously reported in UK & Ireland is now included in USA & Canada, as in 2007 this business is managed by USA & Canada. The 2006 information has been restated to conform to the current year presentation.
2 Contribution (operating income before amortisation) on the operating unit level.

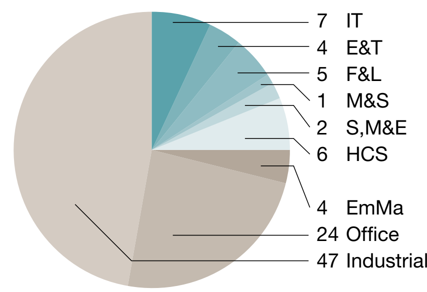
In millions, except share and per share information

1.3 Business line performance

H1 2007 revenues in percent



H1 2007 gross profit in percent*



IT	Information Technology
E&T	Engineering & Technical
F&L	Finance & Legal
M&S	Medical & Science
S,M&E	Sales, Marketing & Events
HCS	Human Capital Solutions
EmMa	Emerging Markets excluding professional business lines

* When excluding the impact from the modification to the calculation of French social charges the gross profit in percent is as follows: IT 7%, E&T 5%, F&L 6%, M&S 1%, S,M&E 2%, HCS 6%, EmMa 4%, Office 25%, and Industrial 44%.

The Company's **Office and Industrial** businesses, which represented 23% and 53% of revenues in the first six months of 2007, respectively, grew 1% and 6% (6% and 7% in constant currency). In the Office business, demand was strong in Japan, the UK & Ireland, and the Nordics. The revenue growth in the Industrial business in the first six months of 2007 was mainly due to France as well as sustained revenue growth in Italy and Germany. France comprised approximately 50% of the Industrial business.

In **Information Technology** (IT), the Company increased revenues by 1% or 5% in constant currency compared to the first six months of 2006. In the UK & Ireland, revenues increased slightly whereas in the USA & Canada revenues declined, both in constant currency. IT reflected 7% of the Company's revenues in the first six months of 2007. UK & Ireland and USA & Canada comprised approximately 70% of the IT business line's revenues.

The Company's **Engineering & Technical** (E&T) business grew revenues by 11% or 16% in constant currency in the first six months partly due to the DIS acquisition. USA & Canada and UK & Ireland increased revenues in single-digit growth rates in constant currency while in Germany the non acquisition related revenue growth was strong. UK & Ireland combined with the USA & Canada and Germany comprised over 75% of Engineering & Technical's revenues.

In **Finance & Legal** (F&L), the Company achieved revenue growth of 4% or 9% in constant currency versus the first six months of 2006. The business line contributed 3% to the Company's revenues. The declining business in the USA & Canada was compensated by strong revenue growth in the UK & Ireland, both in constant currency. The Finance & Legal businesses in the USA & Canada and the UK & Ireland comprised approximately 75% of the business line's revenues.

The Company's **Human Capital Solutions** (HCS) business revenues decreased by 4% or were unchanged in constant currency in the first six months of 2007 compared to the same period last year. **Sales, Marketing & Events** (S,M&E) and **Medical & Science** (M&S) added 7% and 13% (9% and 14% in constant currency), respectively, in the first six months of 2007 versus the first six months of 2006.

In millions, except share and per share information

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

In EUR	H1 2007	H1 2006	Variance % EUR	Variance % Constant currency
Revenues[1]				
Office	2,346	2,322	1%	6%
Industrial	5,484	5,168	6%	7%
Total Office and Industrial	**7,830**	**7,490**	**5%**	**7%**
Information Technology	707	699	1%	5%
Engineering & Technical	474	427	11%	16%
Finance & Legal	298	287	4%	9%
Medical & Science	111	98	13%	14%
Sales, Marketing & Events	183	171	7%	9%
Human Capital Solutions	122	128	–4%	0%
Total Professional Business Lines	**1,895**	**1,810**	**5%**	**9%**
Emerging Markets[2]	**548**	**512**	**7%**	**13%**
Adecco Group	**10,273**	**9,812**	**5%**	**7%**

1 Breakdown of revenues is based on dedicated branches.
The 2007 information includes certain changes in the allocation of branches to business lines, most notably from Office to Finance & Legal and from Sales, Marketing & Events to Industrial. The 2006 information has been restated to conform to the current year presentation.
2 Emerging Markets excluding professional business lines.

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

Net debt and constant currency comparisons should not be relied upon to the exclusion of U.S. GAAP financial measures, but rather reflect an additional measure 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 our business.

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

Management monitors outstanding debt obligations by calculating net debt. Net debt comprises short-term and long-term debt (and off balance sheet debt, to the extent there is any) less cash and cash equivalents and short-term investments.

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

3. Balance sheet, cash flow and net debt

The Company generated EUR 394 of operating cash flow in the first six months of 2007, compared with EUR 241 in H1 2006. The main reason for this increase is a higher net income. Net debt decreased by EUR 246 to EUR 310 at the end of June 2007 compared to the year-end of 2006. This decrease was mainly caused by the operating cash flows, partially compensated by the payment of dividends of EUR 135. In the first six months of 2007, days sales outstanding (DSO) improved one day to 58 days compared to the same period last year.

4. Outlook

The key indicators for the global staffing services market continue to point to a favourable growth for the industry. The Group remains committed to its objective of revenue growth of at least 7–9% per annum on average for the coming years, providing no material changes to the macro-economic environment. At the same time management continues to be confident that the focus on value-based management and professional and specialised business fields will allow the Company to continuously improve 2009 operating income margin to over 5% and 2009 return on capital employed (ROCE) to above 25% which compares to 20.3% in 2006.

In the shorter term, management expects to grow slightly below the market in France as the focus on shareholder value and profitable growth continues. USA & Canada is anticipated to see a similar development as in Q2 2007, while strong growth in Germany and ongoing good demand in Japan should continue.

5. Forward-looking statements

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

- global GDP trends and the demand for temporary work;
- changes in regulation of temporary work;
- intense competition in the markets in which the Company competes;
- changes in the Company's ability to attract and retain qualified temporary personnel;
- the resolution of the French anti-trust investigation and the resolution of the U.S. class action; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

Adecco Group –
Consolidated balance sheets (unaudited)

In millions, except share and per share information

As of (in EUR)		30.6.2007	31.12.2006
Assets			
Current assets:			
– Cash and cash equivalents		1,124	875
– Short-term investments		10	13
– Trade accounts receivable, net		4,035	3,846
– Other current assets	Note 5	335	311
Total current assets		**5,504**	**5,045**
Property, equipment and leasehold improvements, net		223	229
Other assets	Note 5	324	357
Intangible assets, net		164	169
Goodwill		1,890	1,882
Total assets		**8,105**	**7,682**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
– Accounts payable and accrued expenses	Note 5	3,518	3,544
– Short-term debt and current maturities of long-term debt		378	38
Total current liabilities		**3,896**	**3,582**
Long-term debt, less current maturities		1,066	1,406
Other liabilities	Note 5	375	187
Total liabilities		**5,337**	**5,175**
Minority interests		**27**	**41**
Shareholders' equity			
Common shares		118	117
Additional paid-in capital		2,119	2,100
Treasury stock, at cost		(163)	(182)
Retained earnings		684	466
Accumulated other comprehensive income/(loss), net	Note 3	(17)	(35)
Total shareholders' equity		**2,741**	**2,466**
Total liabilities and shareholders' equity		**8,105**	**7,682**

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

Adecco Group –
Consolidated statements of operations (unaudited)

In millions, except share and per share information

For the six months ended (in EUR)		2007	2006
Revenues	Note 6	10,273	9,812
Direct costs of services		(8,311)	(8,116)
Gross profit	Note 1	**1,962**	**1,696**
Selling, general and administrative expenses		(1,442)	(1,341)
Amortisation of intangible assets		(8)	(4)
Operating income	Note 1, 6	**512**	**351**
Interest expense		(26)	(24)
Other income/(expenses), net		19	7
Income before income taxes and minority interests		**505**	**334**
Provision for income taxes	Note 5	(145)	(97)
Income applicable to minority interests		(5)	(2)
Net income		**355**	**235**
Basic earnings per share data:			
Basic earnings per share		**1.92**	**1.26**
Basic weighted-average shares		185,068,808	186,638,343
Diluted earnings per share data:			
Diluted earnings per share		**1.83**	**1.21**
Diluted weighted-average shares		195,435,468	196,796,667

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

Adecco Group –
Consolidated statements of cash flows (unaudited)

In millions, except share and per share information

For the six months ended (in EUR)	2007	2006
Cash flows from operating activities		
Net income	355	235
Adjustments to reconcile net income to cash flows from operating activities:		
– Depreciation and amortisation	52	51
– Other charges	18	28
Changes in operating assets and liabilities, net of acquisitions:		
– Trade accounts receivable	(209)	(250)
– Accounts payable and accrued expenses	178	168
– Other assets and liabilities		9
Cash flows from operating activities	**394**	**241**
Cash flows from/(used in) investing activities		
Capital expenditures, net of proceeds	(42)	(38)
Acquisition of DIS, net of cash acquired		(552)
Purchase of available-for-sale securities	(1)	(24)
Proceeds from sale of available-for-sale securities	4	183
Proceeds from sale of term deposits		195
Cash settlements on derivative instruments	(4)	
Other acquisition and investing activities	(13)	(20)
Cash flows from/(used in) investing activities	**(56)**	**(256)**
Cash flows from/(used in) financing activities		
Net increase in short-term debt	18	27
Borrowings of long-term debt, net of issuance costs		694
Repayment of long-term debt		(517)
Net dividends paid to shareholders	(88)	(79)
Withholding tax on dividends	(47)	
Common stock options exercised	33	33
Cash settlements on derivative instruments	2	(15)
Purchase of treasury shares		(43)
Other financing activities	4	(3)
Cash flows from/(used in) financing activities	**(78)**	**97**
Effect of exchange rate changes on cash	**(11)**	**(7)**
Net increase in cash and cash equivalents	**249**	**75**
Cash and cash equivalents:		
– Beginning of year	875	468
– End of period	1,124	543

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

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

In millions, except share and per share information

In EUR	Common shares	Additional paid-in capital	Treasury stock, at cost	Retained earnings	Accumulated other comprehensive income/ (loss), net	Total shareholders' equity
January 1, 2006	**117**	**2,045**	**(59)**	**(25)**	**39**	**2,117**
Comprehensive income:						
Net income				235		235
Other comprehensive income/(loss)						
– Currency translation adjustment, net of tax					(68)	(68)
– Unrealised gain on cash flow hedging activities, net of tax					1	1
– Changes in available-for-sale securities, net of tax					(3)	(3)
Total comprehensive income						**165**
Stock-based compensation		5				5
Common stock options exercised		31				31
Subsidiary stock option transactions		(1)				(1)
Treasury stock transactions			(43)			(43)
Purchase of call options		(2)				(2)
Cash dividends, CHF 1.00 per share				(120)		(120)
June 30, 2006	**117**	**2,078**	**(102)**	**90**	**(31)**	**2,152**
January 1, 2007	**117**	**2,100**	**(182)**	**466**	**(35)**	**2,466**
Comprehensive income:						
Net income				355		355
Other comprehensive income/(loss)						
– Unrealised gain on cash flow hedging activities, net of tax					17	17
– Changes in available-for-sale securities, net of tax					1	1
Total comprehensive income						**373**
Stock-based compensation		2				2
Common stock options exercised	1	17	14			32
Exchange of subsidiary stock options for Adecco S.A. shares		(5)	5			
Excess tax benefit on exercise of stock options		5				5
Impact of adoption of FIN 48				(2)		(2)
Cash dividends, CHF 1.20 per share				(135)		(135)
June 30, 2007	**118**	**2,119**	**(163)**	**684**	**(17)**	**2,741**

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

Note 1 – Summary of significant accounting policies

Basis of presentation and principles of consolidation

The consolidated half year financial statements include Adecco S.A., a Swiss corporation, its majority-owned subsidiaries and other affiliated entities (collectively, the "Company"). The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2006 and for the year then ended.

Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2006 have been condensed or omitted. As a result, the financial information to the condensed financial statements should be read in conjunction with the Company's Annual Report including the Financial Review and Corporate Governance for the fiscal year ended December 31, 2006.

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

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

Social security charges

In April 2007, the Central Agency for Social Security Organisations in France issued a letter outlining a modification of the calculation of certain social security charges, with retroactive effect to January 1, 2006. This modification resulted in a reduction in payroll taxes to be remitted. The statement of operations for the six months ended June 30, 2007 includes a positive effect to net income of EUR 66 in connection to this modification including an increase of EUR 144 in gross profit and EUR 43 in selling, general and administrative expenses. This change resulted in an increase to the basic and diluted earnings per share, net of tax, of EUR 0.36 and EUR 0.34, respectively. Of the total net income benefit, EUR 46 relates to the reduction of payroll taxes for 2006 and EUR 20 for January to June 2007.

On August 1, 2007, the French Parliament passed an amendment to the social security legislation, which is expected to be effective October 1, 2007. This amendment would eliminate the payroll tax benefit resulting from the modification made in April 2007. In the third quarter, the Company expects a benefit to operating income of approximately EUR 10 as a result of the modified calculation. Currently, there is no benefit anticipated for the periods thereafter.

Use of estimates

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

Seasonality

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

New accounting standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires plan sponsors of defined benefit pension plans to recognise the funded status of their defined benefit plans in the statement of financial position, reflect changes in the funded status of defined benefit plans in comprehensive income, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The Company expects to adopt the measurement provisions of SFAS No. 158 effective December 31, 2008.

In millions, except share and per share information

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities, expands the required disclosures about fair value measurement, and is applicable whenever other standards require assets or liabilities to be measured at fair value. However, it does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe the adoption of this standard will have a material effect on the consolidated financial statements.

Note 2 – Acquisitions

In June 2007, the Company reached an agreement to acquire 100% of the outstanding shares of the Tuja Group, a leading temporary staffing company in Germany, for approximately EUR 600. In addition, the Company agreed to assume approximately EUR 200 in net debt. The transaction was subject to regulatory approval. The Company obtained the necessary regulatory approval from the Commission of the European Communities on July 25, 2007 and acquired 97% of the outstanding share capital on July 30, 2007. The remaining 3% outstanding share capital will be acquired before the end of 2007. As a result of the acquisition, the Company has strengthened its position in the fast-growing and highly profitable German temporary staffing market. The acquisition was mainly financed with cash.

Note 3 – Shareholders’ equity

The Annual General Meeting of Shareholders of Adecco S.A. was held on May 8, 2007. The shareholders approved a dividend of CHF 1.20 per common share in respect of the fiscal year 2006. The net dividend to shareholders of EUR 88 was paid in May 2007 and the withholding tax of EUR 47 was paid in June 2007.

As of June 30, 2007 and December 31, 2006, the Company was authorised by its shareholders to issue up to 15,400,000 shares of conditional capital in connection with the issuance of financial instruments, principally convertible bonds. 9,523,810 shares have been earmarked for issuance upon conversion of the outstanding guaranteed zero-coupon convertible bond. The remaining 5,876,190 shares represent conditional capital that was originally authorised without time limitation in connection with the issuance of a convertible bond in 1999, which was repaid in 2004 without conversion. This conditional capital remains available for issuance upon conversion of any financial instruments the Company may issue in the future.

In addition, the Company had 4,166,804 and 4,629,143 common shares reserved for issuance of common shares to employees and directors upon the exercise of stock options as of June 30, 2007 and December 31, 2006, respectively.

During the six months ended June 30, 2007, a total of 462,339 shares have been issued to employees and directors upon the exercise of stock options and 314,328 treasury shares were delivered to employees upon exercise of stock options. In addition, 108,197 treasury shares have been used in exchange of subsidiary stock options for Adecco S.A. shares.

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

In EUR	30.6.2007	31.12.2006
Accumulated other comprehensive income/(loss), net		
Currency translation adjustment	(33)	(33)
Unrealised gain on cash flow hedging activities	18	1
Pension-related adjustments	(2)	(2)
Unrealised gain/(loss) on available-for-sale securities		(1)
Accumulated other comprehensive income/(loss), net	**(17)**	**(35)**

In millions, except share and per share information

Note 4 – Employee benefit plans
For the six months ended June 30, 2007, estimated net pension expense for the defined benefit plans is as follows:

	Swiss plan		Non-Swiss plans	
In EUR	2007	2006	2007	2006
Components of pension expense				
Service cost	4	5	1	1
Interest cost	1	1	2	3
Expected return on plan assets	(2)	(2)	(2)	(2)
Pension expense, net	**3**	**4**	**1**	**2**

Note 5 – Income taxes
The Company operates in various countries with different tax laws and rates; therefore, the effective tax rate may vary from year to year due to change in the mix of taxable income among countries and special transactions. Income taxes for the first half of 2007 were provided at a rate of 29 %, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2006, the tax rate was 29 %.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109" ("FIN 48"), as of January 1, 2007. The Company's reassessment of its tax positions in accordance with FIN 48 resulted in a decrease of EUR 2 in its retained earnings. Consistent with the provisions of FIN 48, the Company reclassified EUR 164 of income tax liabilities from accounts payable and accrued expenses to other liabilities because payment of cash is not anticipated within one year of the balance sheet date. In addition, EUR 73 and EUR (6) were reclassified from accounts payable and accrued expenses to other assets and other current assets, respectively.

As of January 1, 2007, the amount of unrecognised tax benefits was EUR 315 of which EUR 236 would, if recognised, decrease the Company's effective tax rate. As of June 30, 2007, the amount of unrecognised tax benefits is EUR 304, of which EUR 242 would, if recognised, decrease the Company's effective tax rate.

The Company continues to recognise interest and penalties related to unrecognised tax benefits as a component of the provision for income taxes. As of January 1, 2007 and June 30, 2007, the amount of interest and penalties accrued amounted to EUR 33 and EUR 27, respectively.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statutes of limitation. The open tax years by major jurisdiction are the following:

Country	**Open tax years**
U.S.	1996 onwards
France	2003 onwards
Germany	1997 onwards
U.K.	2001 onwards
Spain	2002 onwards
Japan	2001 onwards

In certain jurisdictions, the Company may have more than one tax payer. The table above reflects the status 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 statutes of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change from those recorded as liabilities for uncertain tax positions in our financial statements. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

In millions, except share and per share information

Note 6 – Segment reporting

The Company's operations are managed through a geographical structure complemented by professional business lines. The classification of branches in business lines is determined by the largest business line revenue share generated in a specific branch. The Company reports its business on a geographical basis as disclosed below.

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

In EUR	France	USA & Canada	UK & Ireland	Japan	Italy	Iberia	Germany	Other	Corporate	Total
Six months ended June 30, 2007										
Revenues	**3,385**	**1,641**	**956**	**694**	**619**	**552**	**495**	**1,931**		**10,273**
Depreciation	(12)	(9)	(5)	(2)	(1)	(1)	(3)	(7)	(4)	(44)
Operating income before amortisation	**231**	**73**	**27**	**46**	**41**	**33**	**51**	**78**	**(60)**	**520**
Amortisation of intangible assets										(8)
Operating income										**512**
Segment assets	**2,247**	**1,288**	**670**	**255**	**324**	**361**	**890**	**1,122**	**948**	**8,105**

In EUR	France	USA & Canada[1]	UK & Ireland[1]	Japan	Italy	Iberia	Germany	Other	Corporate	Total
Six months ended June 30, 2006										
Revenues	**3,222**	**1,895**	**869**	**727**	**571**	**515**	**308**	**1,705**		**9,812**
Depreciation	(13)	(11)	(4)	(3)	(2)	(2)	(2)	(6)	(4)	(47)
Operating income before amortisation	**105**	**68**	**30**	**45**	**34**	**31**	**23**	**72**	**(53)**	**355**
Amortisation of intangible assets										(4)
Operating income										**351**
Segment assets	**2,225**	**1,380**	**584**	**260**	**298**	**346**	**816**	**969**	**482**	**7,360**

1 A business previously reported in UK & Ireland is now included in USA & Canada, as in 2007 this business is managed by USA & Canada. The 2006 information has been restated to conform to the current year presentation.

Note 7 – Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 799, including those letters of credit issued under the multicurrency revolving credit facility (EUR 123). The guarantees primarily relate to government requirements in certain countries for operating a temporary staffing business 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 U.S. 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.

Securities class action lawsuits

Class action lawsuits in the U.S. against Adecco S.A. and certain of its former directors and officers, which were commenced following the Company's January 2004 announcement of a delay in the release of its 2003 consolidated financial statements, are pending. The lawsuits, which have been consolidated, allege violations of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934 in connection with public disclosures made by the Company between March 2000 and January 2004 regarding its earnings and operating results. On March 29, 2006, the U.S. District Court for the Southern District of California dismissed the plaintiffs' amended consolidated complaint with prejudice and entered judgement in the Company's favour. On April 25, 2006, the plaintiffs filed a notice of appeal for the dismissal of their complaint. The appeal is pending before the United States Court of Appeals for the Ninth Circuit. The Company continues to believe that the decision of the District Court is correct and that there is no merit to the case and will vigorously defend the judgement in its favour. However, there can be no assurance that the resolution of this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

French antitrust investigation

In November 2004, the French competition authority (DGCCRF) commenced an investigation concerning alleged anti-competitive practices in France by Adecco France SASU (formerly Adecco Travail Temporaire SASU), a French subsidiary of the Company. The matter has since been referred to the French "Conseil de la Concurrence" and the Company anticipates that Adecco France may receive a statement of objections. However, up to the date of this report, the Company has not received such document and is unable to predict whether the outcome of this matter could have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

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Imprint
Publisher: Adecco management & consulting S.A., Glattbrugg

Design: Gottschalk+Ash Int'l

Typesetting: Linkgroup, Zurich

August 2007

adecco.com

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