

# Market share momentum, solid growth and margin



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## Overview

During the first half of 2022, the Company focused on gaining market share. The investment in headcount, particularly in Adecco delivered significant results, with notable improvement in relative revenue growth in several regions. Revenues increased by 4% both organically<sup>1</sup> and trading days adjusted, led by the Akkodis GBU, LHH Recruitment Solutions and Adecco APAC and Southern Europe & EEMENA.

Gross margin was 100 bps above the first half of 2021 on a reported basis. Organically the gross margin increased by 70 bps, reflecting the portfolio's shift into higher value activities and positive pricing dynamics.

Selling, general, and administrative expenses (SG&A) excluding one-offs<sup>2</sup> increased 16% organically. As a percentage of revenues, SG&A excluding one-offs was 17.8%, compared to 15.9% a year ago, driven primarily by investments in sales capacity. FTE employees increased 14% organically year-on-year.

The EBITA<sup>3</sup> margin excluding one-offs was 3.4%, a decrease of 90 bps year-on-year on a reported basis due to growth investments, a moderated contribution from LHH and less non-recurring benefits when compared to the prior period.

Free cash flow<sup>4</sup> in the first half of 2022 was EUR (114). This compares to EUR 173 in the first six months of last year, and was impacted by increased working capital needs to support revenue growth. The Company distributed EUR 409 in dividends and completed the acquisition of AKKA Technologies. Net debt<sup>5</sup> at 30 June 2022 was EUR 2,829, representing a ratio of 2.6x net debt to EBITDA<sup>6</sup> excluding one-offs and on a pro-forma basis.

in EUR	HY 2022	HY 2021	Variance	
			Reported	Organic
<b>Summary of income statement information</b>				
Revenues	11,384	10,234	+11%	+4%
Gross profit	2,405	2,055	+17%	+8%
EBITA excluding one-offs	390	444	-12%	-20%
EBITA	330	429	-23%	-31%
Net income attributable to Adecco Group shareholders	169	269	-37%	
Diluted EPS	1.01	1.66	-39%	
Adjusted EPS <sup>7</sup>	1.61	1.91	-16%	
Gross margin	21.1%	20.1%	100 bps	70 bps
EBITA margin excluding one-offs	3.4%	4.3%	-90 bps	-100 bps
EBITA margin	2.9%	4.2%	-130 bps	-140 bps
<b>Summary of cash flow and net debt information</b>				
Free cash flow before interest and tax paid (FCFBIT)	0	277		
Free cash flow (FCF)	(114)	173		
Net debt	2,829	562		
Days sales outstanding	52	50		
Cash conversion <sup>8</sup>	58%	64%		
Net debt to EBITDA excluding one-offs	2.8x	0.5x		

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

2 In the first six months of 2022, SG&A included one-offs of EUR 60 in restructuring and acquisition related costs.

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

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

5 Net debt is a non-US GAAP measure and comprises short-term and long-term debt less cash and cash equivalents and short-term investments.

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

7 Adjusted EPS is a non-US GAAP measure and refers to Net income attributable to Adecco Group shareholders before amortisation and impairment of goodwill and intangible assets, excluding one-off costs and exceptional tax items, divided by basic weighted-average shares outstanding.

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

## Group performance overview

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

### Revenues

In the first half of 2022, revenues of EUR 11,384 were up 11% year-on-year on a reported basis. Currency movements had a positive impact on revenues of approximately 2% and M&A had a positive impact of approximately 5%, while the number of working days impact was negligible. Revenue growth was therefore 4% on an organic and trading days adjusted basis.

By Global Business Unit (GBU): revenues in Adecco were up 3%, up 2% in LHH and 14% in Akkodis, all compared to the prior year on an organic and trading days adjusted basis.

By service line: Flexible Placement revenues were up 1% year-on-year organically, at EUR 8,766; Permanent Placement revenues grew by 47% to EUR 406; revenues from Career Transition were EUR 136, down 33%; revenues in Training, Upskilling & Reskilling were up 6%, to EUR 180; and Outsourcing, Consulting & Other Services revenues were EUR 1,896, up 22%.

### Gross profit

Gross profit amounted to EUR 2,405 in the first half of 2022, up 17% on a reported basis and up 8% organically. The gross margin was 21.1%, 100 bps above H1 2021. Compared to the prior year, currency increased gross margin by 20 bps, while M&A (primarily the acquisition of AKKA) had a positive impact of 10 bps.

On an organic basis, the gross margin was up 70 bps, reflecting expansion of 120 bps in Permanent Placement and 20 bps in Flexible Placement, counteracted by Career Transition, which was 70 bps lower.

### Gross margin drivers YoY

in basis points	HY 2022	HY 2021
Flexible Placement	20	100
Permanent Placement	120	20
Career Transition	(70)	(20)
Other	0	10
<b>Organic</b>	<b>70</b>	<b>110</b>
Acquisitions and divestments	10	10
Currency	20	(20)
<b>Reported</b>	<b>100</b>	<b>100</b>

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

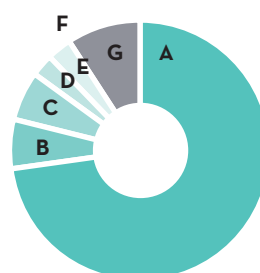
SG&A excluding one-offs was EUR 2,029 in the first half of 2022, 16% higher organically compared to the prior year. SG&A excluding one-offs as a percentage of revenues was 17.8%, compared to 15.9% in the previous year. Currency movements had a negative impact on SG&A of approximately 4%. Reported SG&A was EUR 2,089. FTE employees increased by 14% organically year-on-year. Compared to the first half of 2021, the branch network organic increase was negligible.

In the first half of 2022, one-off costs amounted to EUR 60. These included restructuring and acquisition related costs of: EUR 44 in Corporate Holding, mainly related to the AKKA integration; EUR 20 in LHH; EUR 2 in Akkodis; EUR (7) in Adecco DACH; and EUR 1 in Adecco Americas.

Compensation expenses were EUR 1,532 in the first half of 2022, compared to EUR 1,200 in the same period of 2021, and represented 73% of total SG&A. Marketing expenses were EUR 71, compared to EUR 45 in the first half of 2021. Bad debt expense amounted to EUR 5 in the first half of 2022, compared to EUR 3 in previous year.

### SG&A breakdown

HY 2022



- A – Compensation expenses – 73%
- B – Premises expenses – 6%
- C – Office & administrative expenses – 6%
- D – Depreciation – 3%
- E – Marketing – 3%
- F – Bad debt expense – 0%
- G – Other – 9%

## EBITA

EBITA excluding one-offs was EUR 390 in the first half of 2022, down 12% on a reported basis year-on-year, and down 20% organically. The EBITA margin excluding one-offs was 3.4%, down 90 bps year-on-year on a reported basis and down 100 bps organically.

The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 18.7% in the first half of 2022 compared to 21.6% in the prior period.

One-offs amounted to EUR 60 in the first half of 2022 and EUR 15 in the prior period. EBITA was EUR 330 in the first half of 2022 compared to EUR 429 in the prior period, a decrease of 23% reported and 31% organically. The EBITA margin was 2.9% in the first half of 2022 versus 4.2% in the prior period.

## Amortisation of intangible assets

Amortisation of intangible assets was EUR 60 versus EUR 36 in H1 2021.

## Operating income

Operating income was EUR 270 in the first half of 2022 and EUR 393 in the first half of 2021.

## Interest expense and other income/(expenses), net

Interest expense was EUR 22 in the first half of 2022 compared to EUR 13 in the first half of 2021. Other income/(expenses), net includes interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net. In the first half of 2022, other income/(expenses), net amounted to an expense of EUR 19 compared to an expense of EUR 1 in the same period of 2021.

## Provision for income taxes

Provision for income taxes was EUR 59 in the first half of 2022 compared to EUR 109 in the first half of 2021. The effective tax rate is impacted by recurring items, such as tax rates in the different jurisdictions where the Company operates, and the income mix within jurisdictions. It is also affected by discrete items which may occur in any given year, but are not consistent from year to year. In the first half of 2022, the effective tax rate was 26%. Discrete events decreased the effective tax rate by approximately 2%. In the first half of 2021, the effective tax rate was 29% with only minimal impact from discrete events.

## Net income attributable to Adecco Group shareholders and EPS

Net income attributable to Adecco Group shareholders was EUR 169 in the first half of 2022, compared to EUR 269 in the prior period. Basic earnings per share was EUR 1.02 in the first half of 2022 compared to EUR 1.67 in the first half of 2021. Adjusted earnings per share was EUR 1.61 in the first half of 2022 compared to EUR 1.91 in the prior year period.

## Cash flow statement and net debt

### Analysis of cash flow statements

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

in EUR	HY 2022	HY 2021
<b>Summary of cash flow information</b>		
Cash flows from/(used in) operating activities	(26)	226
Cash used in investing activities	(1,271)	(54)
Cash used in financing activities	(1,357)	(416)

Cash flows from operating activities decreased to EUR (26) in the first half of 2022 from EUR 226 in the same period of 2021, with the decrease driven by less favourable net working capital and lower Net income, due to the aforementioned performance drivers. DSO was 52 days for the first half of 2022 and 50 days in the first half of 2021.

Cash used in investing activities totalled EUR 1,271 compared to EUR 54 in the first half of 2021. 2022 cash outflow has been mainly driven by the acquisition of AKKA (EUR 1,249, net of cash and restricted cash acquired). Capital expenditures amounted to EUR 88 in the first half of 2022 and EUR 53 in the same period of 2021.

Cash used in financing activities totalled EUR 1,357, compared to EUR 416 in the prior period and is mainly driven by the acquisition of AKKA in 2022. In the first half of 2022, the net decrease of short-term debt totalled EUR 182 whereas, in the same period of 2021, the net decrease of short-term debt totalled EUR 4. The Company paid dividends of EUR 409 and EUR 365 in the first half of 2022 and the first half of 2021, respectively. In 2022, the Company repaid long-term debt for EUR 731 and purchased treasury shares for EUR 47 in H1 2021.

## Net debt

Net debt was EUR 2,829 as of 30 June 2022, compared to EUR 48 as of 31 December 2021. The increase in net debt reflected the usual seasonal trends and was impacted by acquiring full control of AKKA Technologies as well as the payment of the dividend in April 2022. At 30 June 2022, the ratio of net debt to EBITDA excluding one-offs on a pro-forma basis was 2.6x, compared to 0.0x at 31 December 2021. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP.

in EUR	30 June 2022	31 December 2021
<b>Net debt</b>		
Short-term debt and current maturities of long-term debt	485	348
Long-term debt, less current maturities	2,769	2,751
<b>Total debt</b>	<b>3,254</b>	<b>3,099</b>
Less:		
Cash and cash equivalents	425	3,051
Short-term investments		
<b>Net debt</b>	<b>2,829</b>	<b>48</b>

## HY 2022 segment performance

All growth rates are year-on-year on an organic basis, unless otherwise stated.

### Adecco

In Adecco, total revenues were EUR 8,669, up 4%. Growth was driven by APAC, Southern Europe & EEMENA and France. EBITA excluding one-offs was EUR 318 with a margin of 3.7%, down 90 bps year-on-year. Further details by region can be found below.

#### Adecco France

Revenues were EUR 2,398, up 6% when compared to the prior year. EBITA excluding one-offs was EUR 98 with a margin of 4.1%, down 120 bps year-on-year. The result reflects positive operating leverage, investment in headcount and the absence of non-recurring benefits in comparison to the same period of 2021.

#### Adecco Northern Europe

Revenues in the first half of 2022 were EUR 1,201, down 7% when compared to prior year. Revenue performance varied across the region. UK & Ireland decreased by 16%, impacted by a tough comparison period from exceptional contract wins in logistics in the prior period. Revenues in Belgium & Luxembourg increased by 2%, and the Nordics increased by 7%. EBITA excluding one-offs was EUR 22 with a margin of 1.8%, down 100 bps versus the prior year. This was mainly due to the absence of support scheme benefits that flattered the prior year period, partly mitigated by favourable solutions mix and strong pricing.

#### Adecco DACH

Revenues were EUR 740, up 3% year-on-year. Revenues in Germany decreased by 1%, while Switzerland & Austria increased by 12%. Performance in Germany was hampered by rebalancing in the logistics sector and lower healthcare demand. EBITA excluding one-offs was EUR 14 with a margin of 2.0%, down 40 bps year-on-year reflecting adverse business mix and investment in headcount.

#### Adecco Southern Europe & EEMENA

Revenues were EUR 2,004, up 7%. Revenues in Italy were up 12% and Iberia grew by 8%. EEMENA decreased by 9%. A tough comparison in logistics weighted in EEMENA. For the region, EBITA excluding one-offs was EUR 109 with a margin of 5.4%, down 30 bps year-on-year. Margins reflect positive operating leverage and investment in headcount to support future growth.

#### Adecco Americas

Revenues were EUR 1,263, 4% lower year-on-year. Revenues were down 6% in North America and flat in Latin America. The decrease in North America was mainly due to weakness in Adecco US. Management have put in place a turnaround plan for Adecco US which has delivered incremental improvement over the first half period. Latin America grew very strongly with the exception of Mexico, which has been impacted by legislation that prohibits flexible placement services and which came into force in September 2021. EBITA excluding one-offs was EUR 11, with a margin of 0.9%. This compared to 3.2% in H1 2021 and mainly reflects lower volumes and adverse business mix.

#### Adecco APAC

Revenues were EUR 1,063, up 13% and boosted by strong demand for Outsourcing and Permanent Placement activities. Revenue growth was strong in Asia and India, up 17% and 15% respectively, Australia & New Zealand, up 13%, and Japan, up 12%. EBITA excluding one-offs was EUR 64 with a 6.0% margin, down 20 bps year-on-year. This was driven by positive mix and pricing, strong cost containment, and higher investment in headcount to capture further growth.

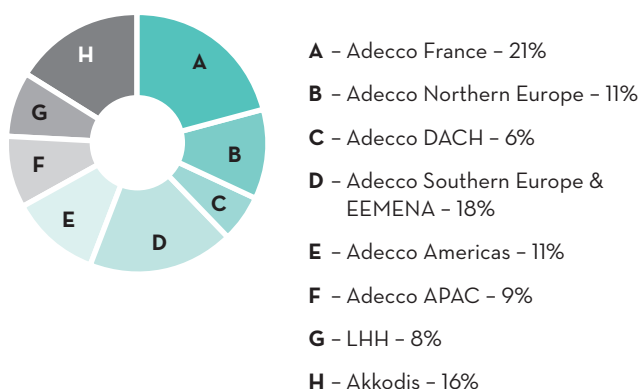
## LHH

In the first half of 2022, revenues were EUR 938, up 2% year-on-year. Recruitment Solutions grew by 13%, securing strong returns from investments in sales capacity and benefiting from a dynamic trading environment. Pontoon & Other was up 10%. Learning & Development revenues were up 6% compared to the prior year, with strength in Talent Development and Ezra in particular. Career Transition & Mobility revenues were down 33%, due to ongoing weakness in outplacement demand stemming from the strength of the economy. EBITA excluding one-offs was EUR 65 and the EBITA margin was 7.0%, down 220 bps year-on-year. This reflects a lower contribution from Career Transition & Mobility, as well as investments in sales capacity and digital.

## Akkodis

Revenues were EUR 1,777, up 14%. Revenues grew by 20% in Modis America, 11% in Modis EMEA and 9% in Modis APAC. Growth was driven by Talent Services in the Americas and EMEA, while APAC, particularly Japan, benefited from its continued focus on Consulting. AKKA contributed EUR 540 of revenues following its consolidation from 24 February 2022, leading to a reported revenue growth of 67% in the first half of 2022. EBITA excluding one-offs was EUR 115, with a margin of 6.5%, up 30 bps compared to last year, supported by higher volumes, mix and pricing benefits.

## HY 2022 revenue split by segment



## Outlook

The Company's trading momentum indicates continued healthy demand for talent services, with a June exit rate of 4 percent, and July volumes modestly above Q2 levels, whilst recognising the challenges from the current macroeconomic environment.

In the third quarter, the Company expects to achieve solid revenue growth on a year-on-year basis. Gross margin is expected to trend around Q2 2022's reported level and SG&A expenses to stabilise. Management expects to deliver productivity improvements.

## Revenues by segment and by service line

### Revenues by segment

in EUR	Revenues		Variance			% of total revenues		
	HY 2022	HY 2021	EUR	Constant currency	Organic	Organic TDA	HY 2022	HY 2021
Adecco France	2,398	2,229	8%	8%	6%	6%	21%	22%
Adecco Northern Europe	1,201	1,286	-7%	-8%	-7%	-7%	11%	13%
Adecco DACH	740	705	5%	3%	3%	2%	6%	7%
Adecco Southern Europe & EEMENA	2,004	1,894	6%	6%	7%	7%	18%	18%
Adecco Americas	1,263	1,225	3%	-4%	-4%	-5%	11%	12%
Adecco APAC	1,063	932	14%	13%	13%	14%	9%	9%
<b>Adecco</b>	<b>8,669</b>	<b>8,271</b>	<b>5%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>76%</b>	<b>81%</b>
LHH	938	902	4%	-2%	2%	2%	8%	9%
Akkodis	1,777	1,061	67%	62%	14%	14%	16%	10%
<b>Adecco Group</b>	<b>11,384</b>	<b>10,234</b>	<b>11%</b>	<b>9%</b>	<b>4%</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

### Revenues by service line

in EUR	Revenues		Variance			% of total revenues	
	HY 2022	HY 2021	EUR	Constant currency	Organic	HY 2022	HY 2021
Flexible Placement	8,766	8,440	4%	2%	1%	77%	82%
Permanent Placement	406	268	52%	46%	47%	3%	3%
Career Transition	136	174	-22%	-26%	-33%	1%	2%
Outsourcing, Consulting & Other Services	1,896	1,189	59%	59%	22%	17%	12%
Training, Upskilling & Reskilling	180	163	10%	6%	6%	2%	1%
<b>Adecco Group</b>	<b>11,384</b>	<b>10,234</b>	<b>11%</b>	<b>9%</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>



## EBITA by segment

### EBITA and EBITA margin excluding one-offs

in EUR	EBITA excluding one-offs		EBITA margin excluding one-offs			% of EBITA <sup>1</sup>
	HY 2022	HY 2021	HY 2022	HY 2021	Variance in bps	HY 2022
Adecco France	98	117	4.1%	5.3%	(120)	20%
Adecco Northern Europe	22	36	1.8%	2.8%	(100)	4%
Adecco DACH	14	17	2.0%	2.4%	(40)	3%
Adecco Southern Europe & EEMENA	109	109	5.4%	5.7%	(30)	22%
Adecco Americas	11	40	0.9%	3.2%	(230)	2%
Adecco APAC	64	58	6.0%	6.2%	(20)	13%
<b>Adecco</b>	<b>318</b>	<b>377</b>	<b>3.7%</b>	<b>4.6%</b>	<b>(90)</b>	<b>64%</b>
LHH	65	83	7.0%	9.2%	(220)	13%
Akkodis	115	66	6.5%	6.2%	30	23%
Corporate	(108)	(82)				
<b>Adecco Group</b>	<b>390</b>	<b>444</b>	<b>3.4%</b>	<b>4.3%</b>	<b>(90)</b>	<b>100%</b>

<sup>1</sup> % of EBITA excluding one-offs before Corporate

### EBITA and EBITA margin by segment

in EUR	EBITA				EBITA margin		
	HY 2022	HY 2021	Variance %		HY 2022	HY 2021	Variance in bps
			EUR	Constant currency			
Adecco France	98	114	-15%	-15%	4.1%	5.1%	(100)
Adecco Northern Europe	22	31	-29%	-30%	1.8%	2.4%	(60)
Adecco DACH	21	17	25%	25%	2.9%	2.4%	50
Adecco Southern Europe & EEMENA	109	109	0%	0%	5.4%	5.7%	(30)
Adecco Americas	10	39	-73%	-75%	0.8%	3.2%	(240)
Adecco APAC	64	58	11%	10%	6.0%	6.2%	(20)
<b>Adecco</b>	<b>324</b>	<b>368</b>	<b>-12%</b>	<b>-13%</b>	<b>3.7%</b>	<b>4.4%</b>	<b>(70)</b>
LHH	45	78	-42%	-46%	4.8%	8.6%	(380)
Akkodis	113	65	74%	71%	6.4%	6.1%	30
Corporate	(152)	(82)	86%	77%			
<b>Adecco Group</b>	<b>330</b>	<b>429</b>	<b>-23%</b>	<b>-24%</b>	<b>2.9%</b>	<b>4.2%</b>	<b>(130)</b>

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**  
in millions, except share and per share information

**Reconciliation of EBITA to EBITA excluding one-offs**

in EUR	EBITA excluding one-offs		One-offs		EBITA	
	HY 2022	HY 2021	HY 2022	HY 2021	HY 2022	HY 2021
Adecco France	98	117	-	(3)	98	114
Adecco Northern Europe	22	36	-	(5)	22	31
Adecco DACH	14	17	7	-	21	17
Adecco Southern Europe & EEMENA	109	109	-	-	109	109
Adecco Americas	11	40	(1)	(1)	10	39
Adecco APAC	64	58	-	-	64	58
<b>Adecco</b>	<b>318</b>	<b>377</b>	<b>6</b>	<b>(9)</b>	<b>324</b>	<b>368</b>
LHH	65	83	(20)	(5)	45	78
Akkodis	115	66	(2)	(1)	113	65
Corporate	(108)	(82)	(44)	-	(152)	(82)
<b>Adecco Group</b>	<b>390</b>	<b>444</b>	<b>(60)</b>	<b>(15)</b>	<b>330</b>	<b>429</b>

**Forward-looking statements**

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intention or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Half Year Report are based on information available to the Company as of 3 August 2022 and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Half Year Report are not guarantees of future performance, and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- the impact of the global outbreak of the novel coronavirus disease (Covid-19);
- changes in regulation affecting temporary work;
- intense competition in the markets in which the Company operates;
- integration of acquired companies;
- changes in the Company's ability to attract and retain qualified internal and external personnel or clients;
- the potential impact of disruptions related to IT; and
- any adverse developments in existing commercial relationships, disputes or legal and tax proceedings.

# Selected financial information

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2022	2021
<b>Statements of operations</b>		
Revenues	11,384	10,234
Amortisation of intangible assets	(60)	(36)
Operating income	270	393
Net income attributable to Adecco Group shareholders	169	269
As of (in EUR)	30.06.2022	31.12.2021
<b>Balance sheets</b>		
Cash and cash equivalents and short-term investments	425	3,051
Trade accounts receivable, net	4,765	4,076
Operating lease right-of-use assets	415	339
Goodwill	4,079	2,483
Total assets	12,996	11,865
Short-term debt and current maturities of long-term debt	485	348
Accounts payable and accrued expenses	4,762	4,226
Total operating lease liabilities	466	381
Long-term debt, less current maturities	2,769	2,751
Total liabilities	9,220	8,065
Total shareholders' equity	3,776	3,800
For the six months ended 30 June (in EUR)	2022	2021
<b>Cash flows from operations</b>		
Cash flows from/(used in) operating activities	(26)	226
Cash used in investing activities	(1,271)	(54)
Cash used in financing activities	(1,357)	(416)
<b>Other indicators</b>		
Capital expenditures	88	53
As of	30.06.2022	31.12.2021
<b>Other indicators</b>		
Net debt (in EUR) <sup>1</sup>	2,829	48
<b>Additional statistics</b>		
Number of FTE employees at end of period (approximate)	37,000	33,000

<sup>1</sup> Net debt is a non-US GAAP measure and comprises short-term and long-term debt, less cash and cash equivalents and short-term investments.

# Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2022	31.12.2021
<b>Assets</b>			
Current assets:			
• Cash and cash equivalents		425	3,051
• Trade accounts receivable, net		4,765	4,076
• Other current assets		661	596
<b>Total current assets</b>		<b>5,851</b>	<b>7,723</b>
Property, equipment, and leasehold improvements, net		552	330
Operating lease right-of-use assets		415	339
Equity method investments		184	118
Other assets		747	674
Intangible assets, net		1,168	198
Goodwill		4,079	2,483
<b>Total assets</b>		<b>12,996</b>	<b>11,865</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Current liabilities:			
• Accounts payable and accrued expenses	4	4,762	4,226
• Current operating lease liabilities	4	175	152
• Short-term debt and current maturities of long-term debt	5	485	348
<b>Total current liabilities</b>		<b>5,422</b>	<b>4,726</b>
Operating lease liabilities	4	291	229
Long-term debt, less current maturities	5	2,769	2,751
Other liabilities		738	359
<b>Total liabilities</b>		<b>9,220</b>	<b>8,065</b>
<b>Shareholders' equity</b>			
Adecco Group shareholders' equity:			
• Common shares		11	11
• Additional paid-in capital		670	814
• Treasury shares, at cost	6	(56)	(159)
• Retained earnings		3,240	3,361
• Accumulated other comprehensive income/(loss), net	6	(101)	(237)
<b>Total Adecco Group shareholders' equity</b>		<b>3,764</b>	<b>3,790</b>
Noncontrolling interests		12	10
<b>Total shareholders' equity</b>		<b>3,776</b>	<b>3,800</b>
<b>Total liabilities and shareholders' equity</b>		<b>12,996</b>	<b>11,865</b>

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

# Consolidated statements of operations

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2022	2021
Revenues	2, 13	11,384	10,234
Direct costs of services		(8,979)	(8,179)
<b>Gross profit</b>		<b>2,405</b>	<b>2,055</b>
Selling, general, and administrative expenses		(2,089)	(1,639)
Proportionate net income of equity method investment FESCO Adecco		14	13
Amortisation of intangible assets		(60)	(36)
<b>Operating income</b>	13	<b>270</b>	<b>393</b>
Interest expense		(22)	(13)
Other income/(expenses), net	10	(19)	(1)
<b>Income before income taxes</b>		<b>229</b>	<b>379</b>
Provision for income taxes	11	(59)	(109)
<b>Net income</b>		<b>170</b>	<b>270</b>
Net income attributable to noncontrolling interests		(1)	(1)
<b>Net income attributable to Adecco Group shareholders</b>		<b>169</b>	<b>269</b>
<b>Basic earnings per share</b>	12	<b>1.02</b>	<b>1.67</b>
Basic weighted-average shares	12	166,539,810	161,150,966
<b>Diluted earnings per share</b>	12	<b>1.01</b>	<b>1.66</b>
Diluted weighted-average shares	12	166,869,485	161,878,038

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

# Consolidated statements of comprehensive income

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2022	2021
Net income		170	270
Other comprehensive income/(loss), net of tax:			
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2022: EUR 3, 2021: EUR (1))		(33)	10
• Currency translation adjustment of net investment hedges (net of tax of, 2022: EUR 1, 2021: EUR 2)		(10)	(21)
• Currency translation adjustment excluding long-term intercompany loans and net investment hedges (net of tax of, 2022: 1, 2021: less than EUR (1))		167	65
• Change in net actuarial gain/(loss) on pensions including currency translation adjustment (net of tax of, 2022: EUR (2), 2021: less than EUR (1))	7	(1)	1
• Change in fair value of securities (net of tax of, 2022: less than EUR (1), 2021: less than EUR (1))		2	1
• Change in fair value of cash flow hedges (net of tax of, 2022: EUR (4), 2021: EUR (1))		11	2
Total other comprehensive income		136	58
<b>Total comprehensive income</b>		<b>306</b>	<b>328</b>
Less comprehensive income attributable to noncontrolling interests		(1)	(1)
<b>Comprehensive income attributable to Adecco Group shareholders</b>		<b>305</b>	<b>327</b>

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

# Consolidated statements of cash flows

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2022	2021
<b>Cash flows from operating activities</b>		
Net income	170	270
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	124	93
• Other charges	(26)	(15)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
• Trade accounts receivable	(323)	(88)
• Accounts payable and accrued expenses	(87)	34
• Other assets and liabilities	116	(68)
<b>Cash flows from/(used in) operating activities</b>	<b>(26)</b>	<b>226</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	(88)	(53)
Acquisition of AKKA, net of cash and restricted cash acquired	(1,249)	
Cash settlements on derivative instruments	42	2
Other acquisition, divestiture and investing activities, net	24	(3)
<b>Cash used in investing activities</b>	<b>(1,271)</b>	<b>(54)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term debt	(182)	(4)
Repayment of long-term debt	(731)	
Dividends paid to shareholders	(409)	(365)
Purchase of treasury shares		(47)
Other financing activities, net	(35)	
<b>Cash used in financing activities</b>	<b>(1,357)</b>	<b>(416)</b>
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>	<b>55</b>	<b>27</b>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(2,599)</b>	<b>(217)</b>
Cash, cash equivalents and restricted cash:		
• Beginning of year	3,155	1,568
• End of period	556	1,351

# Consolidated statements of cash flows (continued)

in millions, except share and per share information

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

For the six months ended 30 June (in EUR)	2022	2021
Reconciliation of cash, cash equivalents and restricted cash at beginning of year:		
Current assets:		
• Cash and cash equivalents	3,051	1,485
• Restricted cash included in Other current assets	61	42
Non-current assets:		
• Restricted cash included in Other assets	43	41
Cash, cash equivalents and restricted cash at beginning of year:	3,155	1,568
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Current assets:		
• Cash and cash equivalents	425	1,285
• Restricted cash included in Other current assets	88	28
Non-current assets:		
• Restricted cash included in Other assets	43	38
Cash, cash equivalents and restricted cash at end of period	556	1,351
<b>Supplemental disclosures of cash paid</b>		
Cash paid for interest	6	5
Cash paid for income taxes	108	99

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



# Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
<b>1 January 2022</b>	11	814	(159)	3,361	(237)	10	3,800
<b>Comprehensive income:</b>							
Net income				169		1	170
Other comprehensive income					136		136
<b>Total comprehensive income</b>							<b>306</b>
Stock-based compensation		11	1				12
Vesting of share awards		(23)	21				(2)
Cash dividends, CHF 2.50 per share		(204)		(204)			(408)
Share cancellation			81	(86)			(5)
Capital increase		71					71
Other		1				1	2
<b>30 June 2022</b>	<b>11</b>	<b>670</b>	<b>(56)</b>	<b>3,240</b>	<b>(101)</b>	<b>12</b>	<b>3,776</b>

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
<b>1 January 2021</b>	10	582	(89)	3,139	(433)	9	3,218
<b>Comprehensive income:</b>							
Net income				269		1	270
Other comprehensive income					58		58
<b>Total comprehensive income</b>							<b>328</b>
Stock-based compensation		11					11
Vesting of share awards		(20)	21				1
Treasury shares purchased on second trading line			(55)				(55)
Cash dividends, CHF 2.50 per share				(364)			(364)
<b>30 June 2021</b>	<b>10</b>	<b>573</b>	<b>(123)</b>	<b>3,044</b>	<b>(375)</b>	<b>10</b>	<b>3,139</b>

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

# Notes to consolidated financial statements

in millions, except share and per share information

## Note 1 – Summary of significant accounting policies

### Basis of presentation and principles of consolidation

The consolidated half year financial statements include Adecco Group AG, a Swiss corporation, its consolidated subsidiaries as well as variable interest entities in which the Adecco Group is considered the primary beneficiary (collectively, the Company).

The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of 31 December 2021 and for the year then ended.

Certain information and footnote disclosures included in the audited consolidated financial statements as of 31 December 2021 have been condensed or omitted. As a result, the financial information in the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Company Report, the Corporate Governance, and the Remuneration Report for the fiscal year ended 31 December 2021.

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

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

### Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to allowance for doubtful accounts, accruals and provisions, impairment of goodwill and indefinite-lived intangible assets, contingencies, pension accruals, and income taxes. The Company bases its estimates on historical experience and on various other market-specific assumptions that are believed to be reasonable under the circumstances. Due to the continuing effects of the Covid-19 pandemic and related government response measures there is currently a higher degree of uncertainty in making the judgements, assumptions and estimates required in the consolidated financial statements and accompanying notes. Given the dynamic nature of these circumstances, more frequent and potentially more significant reassessments and adjustments to estimates in future periods may occur. The results of management's estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

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

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

Restricted cash balances generally consist of deposits made in connection with lease/rent agreements and other refundable deposits, legal claims, cash received from customers but owed to subcontractors, cash subsidies (mainly related to governmental financial supporting programmes for the Covid-19 pandemic) received from authorities but owed to third parties, and funds set aside in connection with outstanding options and warrants arising from acquisitions.

### Operating leases

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

Non-lease components are separated from lease components for real estate lease contracts, while there is no separation between lease and non-lease components for motor vehicle lease contracts. The Company considers consideration paid in relation to separated non-lease components to already reflect the market value of the leased property and accordingly no further allocation of the lease component consideration is undertaken. The remaining lease terms of operating leases vary from one year to 11 years, some of which contain options to extend the lease term or to terminate the lease with a notice period. The Company considers lease and non-lease components as well as extension options to lease terms in order to establish its Operating lease right-of-use assets and the corresponding current and long-term obligations. For most of the Company's operating leases, an implicit rate is not readily determined. To determine the present value of future lease payments at the commencement date of an operating lease contract, the Company uses its incremental borrowing rate. The incremental borrowing rate is estimated to approximate the external interest rate for the Company and is adjusted based on the economic environment where the leased asset portfolio is located.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

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

## Reference rate reform

In 2022, the Company applied temporary optional expedients and exceptions granted under ASC 848 in relation with the reference rate reform. Certain outstanding cross-currency swaps and interest rate swaps that are designated as cash flow hedges or fair value hedges transitioned to new reference rates. Accordingly, the Company applied optional expedients, which permit changes in (i) the contractual terms or (ii) in the interest rate used for discounting without dedesignating the hedging relationship.

## New accounting guidance

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognises as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The new guidance is effective for the Company for fiscal years beginning after 15 December 2022 including interim periods within those fiscal years. The Company plans to adopt this guidance as of 1 January 2023 and is currently assessing the impact of this guidance on the consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contracts Assets and Contract Liabilities from Contracts with Customers". The update requires contract assets and liabilities acquired in a business combination to be recognised and measured at the date of acquisition in accordance with the principles for recognising revenues from contracts with customers. The new guidance is effective for the Company for fiscal years beginning after 15 December 2023 including interim periods within those fiscal years, with early adoption permitted. The Company has early adopted this guidance prospectively as of 1 January 2022.

## Presentation and reclassifications

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

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 2 – Revenues

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

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

For the six months ended 30 June (in EUR)	2022	2021
Flexible Placement	8,766	8,440
Permanent Placement	406	268
Career Transition	136	174
Outsourcing, Consulting & Other Services	1,896	1,189
Training, Upskilling & Reskilling	180	163
<b>Total revenues</b>	<b>11,384</b>	<b>10,234</b>

In Note 13, revenues are additionally disaggregated by segment and country.

### Flexible Placement

Revenues related to Flexible Placement services are generally negotiated and invoiced on an hourly basis. Associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Flexible Placement contract durations can range from less than one month to multiple years but generally may be terminated earlier if appropriate notice is provided. Flexible Placement service revenues are recognised over time upon rendering the services and in line with the Company's right to invoice the customer. The Company provides Flexible Placement services in the following operating segments: Adecco France; Adecco Northern Europe; Adecco DACH; Adecco Southern Europe & EEMENA; Adecco Americas; Adecco APAC; LHH; and Akkodis.

### Permanent Placement

Revenues related to Permanent Placement services are generally recognised at the point in time the candidate begins full-time employment, or once the fee is earned and the Company has no further obligations to the customer. Allowance provisions are established based on historical information for any non-fulfilment of Permanent Placement obligations and presented in Accounts payable and accrued expenses and recorded as a reduction of revenue. The Company provides Permanent Placement services in the following operating segments: Adecco France; Adecco Northern Europe; Adecco DACH; Adecco Southern Europe & EEMENA; Adecco Americas; Adecco APAC; LHH; and Akkodis.

### Career Transition

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

### Outsourcing, Consulting & Other Services

Revenues related to Outsourcing, Consulting & Other Services are generally recognised over time upon rendering the services. Customers are billed through the weekly or monthly billing cycle based on information reported on timesheets multiplied by the contractual billing rate. Revenue is accrued for services which have been rendered but remain unbilled as of the reporting date. Revenues related to other services include Managed Service Programmes (MSP) and Recruitment Process Outsourcing (RPO). Other services are generally recognised over time as the services are performed in the amount to which the Company has a right to invoice. Fees invoiced prior to providing services are deferred and recorded in Accounts payable and accrued expenses until the services are rendered. The Company provides Outsourcing, Consulting & Other Services in the following operating segments: Adecco France; Adecco Northern Europe; Adecco DACH; Adecco Southern Europe & EEMENA; Adecco Americas; Adecco APAC; LHH; and Akkodis.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Training, Upskilling & Reskilling

Revenues related to Training, Upskilling & Reskilling services are generally recognised over time upon rendering the services depending on the nature of the service contract. These service contracts include consulting services in which the Company will bill the customer at an agreed-upon rate when the services are performed. The service contracts may also include workshops or group coaching sessions for the customer's employees as well as other talent development related offerings, such as skills assessments or resource toolkits. The Company will bill the customer at the stated price per service or price per participant upon rendering the services. Certain contracts may include customised project work in which the Company performs a combination of consulting services, assessments, and ongoing coaching sessions. These types of contracts may contain multiple performance obligations, in which case the Company allocates revenue to each performance obligation based on the standalone selling prices, generally determined based on the prices it would charge to other customers in similar circumstances. The Company provides Training, Upskilling & Reskilling in the following operating segments: Adecco France; Adecco Northern Europe; Adecco Southern Europe & EEMENA; Adecco Americas; Adecco APAC; LHH; and Akkodis.

## Principal vs. agent

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

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

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

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

## Practical expedients and exemptions

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

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

## Note 3 – Acquisitions

On 24 February 2022, the Company acquired 59.91% of the shares issued by AKKA Technologies (AKKA) for EUR 917 (EUR 844 in cash plus 1,626,772 new ordinary shares in Adecco Group AG (EUR 73) or a purchase price of EUR 49 per share). This acquisition brought the Company's total holding of AKKA to 64.72%. As of 31 December 2021, the Company had already owned 2.91% of the shares issued by AKKA Technologies with a market value of EUR 44 (included within Other Assets) and the remaining 1.90% of the shares issued by AKKA Technologies with a market value of EUR 29 were purchased between 1 January 2022 and 14 February 2022. Subsequently and up to 13 May 2022, the Company acquired all remaining outstanding shares of AKKA, bringing the ownership to 100%. Modis, the Company's high-tech services brand, is combined with AKKA, a leader in engineering R&D services, to become a leading engineering and digital solutions business in the Smart Industry market. Akkodis has been announced as the global brand for the combined business, leveraging the existing value of both brands and providing a clear, distinct brand proposition to customers and colleagues that would amplify future business development.

Goodwill of EUR 1,501 and intangible assets of EUR 1,004 were recorded in connection with AKKA as of 30 June 2022. AKKA was consolidated by the Company as of 24 February 2022, and the results of AKKA operations have been included in the consolidated financial statements since 24 February 2022. The fair value of the equity interest in AKKA held by the Company at the acquisition date amounted to EUR 74. The amount was determined based on the share price at the date of acquisition. The gain recognised in Other income/(expenses), net as a result of remeasuring to fair value the equity interest in AKKA held before the business combination amounted to EUR 1. The fair value of the Noncontrolling interests at the acquisition date amounted to EUR 505 and was determined based on the share price at the date of the acquisition. The purchase price allocation for the business combination is preliminary for up to 12 months after the acquisition date and is subject to refinement as more detailed analyses are completed and additional information about the fair values of the acquired assets and liabilities becomes available.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

The following table summarises the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

in EUR

## Fair value of assets acquired and liabilities assumed

Cash acquired	108
Other current assets	492
Tangible assets	200
Other assets	214
Identified intangible assets	
• Customer lists	689
• Marketing related	336
Goodwill	1,501
Current liabilities	(776)
Other liabilities	(1,269)
<b>Total fair value of assets acquired and liabilities assumed</b>	<b>1,495</b>

The goodwill of EUR 1,501 arising from the acquisition consists largely of the synergies and economies of scale expected from combining operations of the Company and AKKA. Goodwill recognised as a result of the AKKA acquisition is not expected to be deductible for income tax purposes. The identified, definite-lived intangible assets have estimated average useful lives of 1 to 19 years and are amortised on a straight-line basis over the useful lives. The goodwill and intangible assets were assigned to Akkodis Global Business Unit. Contingencies of EUR 188 have been identified and recognised as of the acquisition date, primarily relating to legal and tax risks.

AKKA acquisition related costs included in SG&A was EUR 13, of which EUR 7 was incurred in the first six months of 2022. AKKA revenues and net income since the acquisition date included in the consolidated operating results for the six months ended 30 June 2022 amounted to EUR 540 and EUR 0, respectively. Amortisation expense, net of tax for AKKA intangible assets included in the consolidated results of operations since the acquisition date to 30 June 2022 amount to EUR 16.

The following unaudited pro forma information shows consolidated operating results for the six months ended 30 June 2021 and 30 June 2022 as if the AKKA acquisition had occurred on 1 January 2021 and 1 January 2022:

in EUR

## Pro forma consolidated operating results

	2022	2021
Revenues	11,637	11,004
Net income attributable to Adecco Group shareholders	161	228
Basic income per share	0.97	1.41
Diluted income per share	0.97	1.41

The 2022 pro forma net income includes the AKKA January and February 2022 net loss of EUR 8, which considers additional amortisation of definite-lived intangible assets, net of tax of EUR 3. The pro forma net loss of AKKA for the six months ended 30 June 2021, adjusted for amortisation of definite-lived intangible assets, incremental financing costs, acquisition related costs and income taxes, reduced consolidated pro forma net income by EUR 42 (including intangible assets amortisation, net of tax, of EUR 15 and acquisition costs, net of tax of EUR 1). The pro forma results of operations do not necessarily represent operating results which would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of future operating results of the combined companies.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

The following table illustrates the aggregate impact of the 2022 acquisitions:

in EUR	2022
<b>Impact of acquisitions</b>	
Net tangible assets/(liabilities) acquired	(863)
Identified intangible assets	1,025
Goodwill	1,504
Deferred tax assets/(liabilities), net	(168)
<b>Total consideration</b>	<b>1,498</b>

Total acquisition related costs expensed in 2022 were EUR 7. Acquisition related costs are included in SG&A within the consolidated statements of operations.

## Note 4 - Restructuring

In 2020, the Company initiated several restructuring plans in response to the unprecedented economic impact created by the Covid-19 pandemic.

Total restructuring costs incurred by the Company in the first six months of 2022 amounted to EUR 9. Restructuring expenses are recorded in SG&A and mainly represent headcount reductions and branch optimisation. Given the dynamic nature of the current economic environment, the amount of future restructuring expenses is currently uncertain.

The following table shows the total amount of restructuring costs incurred by segment:

in EUR	2022	Cumulative costs incurred to 30.06.2022
<b>Restructuring costs</b>		
Adecco France		11
Adecco Northern Europe		20
Adecco DACH	(7)	29
Adecco Southern Europe & EEMENA		7
Adecco Americas	1	18
Adecco APAC		6
<b>Adecco</b>	<b>(6)</b>	<b>91</b>
LHH	17	74
Akkodis	(2)	28
Corporate		
<b>Total restructuring costs</b>	<b>9</b>	<b>193</b>

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

The changes in restructuring liabilities for the period ended 30 June 2022 are as follows:

in EUR	Restructuring liabilities
<b>1 January 2022</b>	<b>48</b>
Restructuring costs	9
Cash payments	(20)
Write-off of fixed assets, impairment of operating lease right-of-use assets, and other	(6)
<b>30 June 2022</b>	<b>31</b>

As of 30 June 2022, restructuring liabilities in connection with these initiatives of EUR 31 were recorded in Accounts payable and accrued expenses. As of 30 June 2022, the remaining liability related to onerous leases of EUR 29 was recorded in Current operating lease liabilities and Operating lease liabilities.

## Note 5 – Financing arrangements

### Short-term debt

The Company's bank overdrafts and other short-term borrowings amounted to EUR 184 as of 30 June 2022, compared to EUR 49 as of 31 December 2021.

### Long-term debt

The Company's long-term debt as of 30 June 2022 and 31 December 2021 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2022	31.12.2021
60.5-year guaranteed Euro subordinated fixed-to-reset notes	EUR 500	2082	1.0%	494	493
20-year guaranteed Japanese Yen fixed rate notes	JPY 7,000	2039	1.14%	49	53
15-year guaranteed Japanese Yen fixed rate notes	JPY 6,000	2033	1.05%	42	46
10-year guaranteed Euro medium-term notes	EUR 500	2031	0.5%	497	497
10.25-year guaranteed Norwegian Krone fixed rate notes	NOK 500	2030	2.65%	48	50
10.5-year guaranteed Euro medium-term notes	EUR 300	2029	1.25%	278	302
7-year guaranteed Euro medium-term notes	EUR 500	2028	0.125%	495	495
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	93	95
5.5-year Swiss Franc fixed rate notes	CHF 225	2025	0.875%	212	213
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	503	503
7-year guaranteed Euro medium-term notes	EUR 300	2022	1.5%	299	299
Other				60	4
				<b>3,070</b>	<b>3,050</b>
Less current maturities				(301)	(299)
<b>Long-term debt, less current maturities</b>				<b>2,769</b>	<b>2,751</b>

After the acquisition of AKKA Technologies SE, debts of the acquiree in the amount of EUR 941 were repaid.

### Other credit facilities

#### Committed multicurrency revolving credit facility

The Company maintains a committed 5-year multicurrency revolving credit facility with two 1-year extension options, with a maturity date of April 2023 and with an initial facility of EUR 600. In March 2020, the second 1-year extension option was exercised, and the maturity date of the credit facility was extended to April 2025. In October 2021, the Company up-sized the facility from EUR 600 to EUR 900. At the same time the facility was updated to accommodate the latest IBOR amendment language. All other details remain unchanged. The facility is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on EURIBOR for drawings denominated in Euro, plus a margin between 0.225% and 0.55% per annum, depending on certain net debt-to-EBITDA ratios. The applicable margin levels set out above will be subject to further variation in accordance with certain "ESG Score" provisions. In addition to the interest rate costs, a utilisation fee of 0.075%, 0.15%, or 0.30% applies for total utilisation of up to 33.33%, 66.67%, and above 66.67% of the facility amount, respectively. No utilisation fee shall be payable while the facility is unutilised. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of 30 June 2022 and 31 December 2021, there were no outstanding borrowings under the credit facility.



# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 6 – Shareholders' equity

### Treasury share transactions and appropriation of available earnings

In the first six months of 2022 and 2021 no treasury shares were acquired on the regular trading line.

During the six months ended 30 June 2022 and the six months ended 30 June 2021, the Company awarded 19,930 and 11,502 treasury shares, respectively, to the Board of Directors as part of their compensation packages. In addition, in the first six months of 2022 and the first six months of 2021, 477,111 and 449,128 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

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

- EUR 600 announced in February 2020 (commenced in April 2021 and placed on hold in July 2021)

In the first six months of 2022 no treasury shares have been acquired under the share buyback programme.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 13 April 2022 (2022 AGM), the shareholders approved the cancellation of 1,424,388 treasury shares acquired under the 2021 share buyback programme (commenced in April 2021 and placed on hold in July 2021) and the corresponding reduction of the Adecco Group AG's share capital by 1,424,388 registered shares with a nominal value of CHF 0.10 each. The cancellation of 1,424,388 treasury shares was completed on 22 June 2022. Effective 22 June 2022 the share capital of the Company amounts to CHF 17 divided into 168,426,561 shares.

At the 2022 AGM, the shareholders approved two dividends for a total of CHF 2.50 per share outstanding, whereof a dividend of CHF 1.25 was allocated from Adecco Group AG's statutory reserves from capital contribution to free reserves and subsequently distributed to shareholders and a dividend of CHF 1.25 was directly distributed to shareholders from voluntary retained earnings in April 2022. The statutory reserves from capital contribution were classified as additional paid-in capital in the consolidated balance sheet.

### Accumulated other comprehensive income/(loss), net

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

in EUR	30.06.2022	31.12.2021
Currency translation adjustment	(82)	(216)
Change in fair value of securities	7	5
Change in fair value of cash flow hedges	7	(4)
Currency translation adjustment of net investment hedges	12	22
Pension-related adjustments	(45)	(44)
<b>Accumulated other comprehensive income/(loss), net</b>	<b>(101)</b>	<b>(237)</b>

An amount of EUR 1 (net of tax of less than EUR (1)) and EUR 1 (net of tax of less than EUR (1)) was reclassified from Accumulated other comprehensive income/(loss), net to line item Other income/(expenses), net, in the statement of operations in connection with pension-related adjustments in the first six months of 2022 and 2021, respectively. An amount of EUR (17) (net of tax of EUR 4) and EUR (5) (net of tax of EUR 2) was reclassified from Accumulated other comprehensive income/(loss), net to Other income/(expenses), net, in the statement of operations in connection with cash flow hedging activities in the first six months of 2022 and 2021, respectively. Additionally, an amount of EUR 1 (net of tax of less than EUR (1)) was reclassified from Accumulated other comprehensive income/(loss), net to Interest expense in the statement of operations in connection with cash flow hedging activities in the first six months of 2022. No amount was reclassified in the first six months of 2021.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 7 – Employee benefit plans

For the six months ended 30 June 2022 and 30 June 2021, estimated net pension expense for the defined benefit plans are as follows:

in EUR	Swiss plans		Non-Swiss plans	
	2022	2021	2022	2021
<b>Components of pension expense</b>				
Service cost	13	9	7	6
Interest cost			5	4
Expected return on plan assets	(5)	(4)	(5)	(5)
Amortisation of prior service (credit)/cost				1
Amortisation of net actuarial (gain)/loss		1	1	
<b>Pension expense, net</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>6</b>

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

## Note 8 – 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.

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

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

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of 30 June 2022 and 31 December 2021:

in EUR	Consolidated balance sheet location	Notional amount		Fair value	
		30.06.2022	31.12.2021	30.06.2022	31.12.2021
<b>Derivative assets</b>					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	474	1,360	9	18
• FX options	Other current assets	79	100	1	1
• Interest rate swaps	Other current assets	150	150		1
• Interest rate swaps	Other assets		200		4
• Cross-currency interest rate swaps	Other assets		50		
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	812	478	10	5
• Cross-currency interest rate swaps	Other assets	42	46	10	9
<b>Derivative liabilities</b>					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	415	68	9	
• FX options	Other accrued expenses	79	100	1	
• Interest rate swaps	Other liabilities	525	313	40	5
• Cross-currency interest rate swaps	Other liabilities	140	99	23	21
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	1,705	1,362	64	11
• Cross-currency interest rate swaps	Other liabilities	42	46	10	9
<b>Total net derivative asset/(liability)</b>				<b>(117)</b>	<b>(8)</b>

In addition, accrued interest receivable on interest rate swaps of EUR 3 and less than EUR 1 was recorded in Other current assets as of 30 June 2022 and 31 December 2021 respectively. As of 30 June 2022, accrued interest receivable and payable on cross-currency interest rate swaps of EUR 1 and EUR (1) was recorded in other current assets and other accrued expenses, respectively. As of 31 December 2021, accrued interest receivable and payable on cross-currency interest rate swaps of EUR 1 and EUR (1) was recorded in Other current assets and Other accrued expenses, respectively.

## Fair value hedges

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

The following table shows the gain/(loss) recognised in earnings related to the fair value hedges as of 30 June 2022 and 30 June 2021:

in EUR	Location of gain/(loss) in Consolidated statements of operations	30.06.2022		30.06.2021	
		Recognised on derivatives	Recognised on hedged item	Recognised on derivatives	Recognised on hedged item
<b>Derivatives designated as fair value hedges</b>					
• Interest rate swaps	Interest expense	(40)	38	(12)	10

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

The Company recorded a gain of EUR 1 and EUR 1 in the first six months of 2022 and 2021, respectively, in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2022 or the first six months of 2021.

The following table shows the amounts recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of 30 June 2022 and 31 December 2021:

In EUR	30.06.2022			31.12.2021		
	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued
<b>Current liabilities:</b>						
Current maturities of long-term debt	149	1		148	2	(1)
<b>Non-current liabilities:</b>						
Long-term debt, less current maturities	483	39	(5)	511		(6)

## Cash flow hedges

Cross-currency interest rate swaps designated as cash flow hedges are used to offset foreign currency exchange rate fluctuations on long-term debt instruments. The Company further uses foreign currency contracts designated as cash flow hedges to mitigate exposure to foreign currency exchange rate volatility arising from intercompany cash flows within the next 12 months denominated in other currencies than Swiss Francs. Interest rate swaps designated as cash flow hedges are used to lock in interest rates prior to the issuance of debt.

For derivative instruments designated as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is reclassified into earnings in the same period as the hedged transaction impacts earnings.

The following table shows the gain/(loss) recorded in Other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as cash flow hedges as of 30 June 2022 and 30 June 2021:

in EUR	Location of gain/(loss) in Consolidated statements of operations	30.06.2022		30.06.2021	
		Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
<b>Derivatives designated as cash flow hedges</b>					
• Foreign currency contracts	Other income/(expenses), net	1	(3)	(1)	(2)
• Cross-currency interest rate swaps	Other income/(expenses), net	36	(19)	11	(5)
• Interest rate swaps	Interest expense	(1)	1		

No significant gains or losses were recorded in the first six months of 2022 or the first six months of 2021 due to ineffectiveness in cash flow hedge relationships. No significant gains or losses were excluded from the assessment of hedge effectiveness of the cash flow hedges in the first six months of 2022 and the first six months of 2021. Within the next 12 months, the Company expects to reclassify EUR 3 currently reported in Accumulated other comprehensive income/(loss), net into Other income/(loss), net and EUR 1 currently reported in Accumulated other comprehensive income/(loss), net into Interest expense from cash flow hedges.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Net investment hedges

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

The following table shows the gain/(loss) recorded in Other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as net investment hedges as of 30 June 2022 and 30 June 2021:

in EUR	Location of gain/(loss) in Consolidated statements of operations	30.06.2022		30.06.2021	
		Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
<b>Derivatives designated as net investment hedges</b>					
• Foreign currency contracts	Other income/(expenses), net	(12)		(22)	
• FX options	Other income/(expenses), net	1		(1)	

## Other hedge activities

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

The following table shows the gain/(loss) recognised in earnings related to derivatives not designated as hedging instruments as of 30 June 2022 and 30 June 2021:

in EUR	Location of gain/(loss) in Consolidated statements of operations	Gain/(loss) on derivative recognised in earnings	
		30.06.2022	30.06.2021
<b>Derivatives not designated as hedging instruments</b>			
• Foreign currency contracts	Other income/(expenses), net	(11)	3

## 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 level of exposure on short-term investments with each counterparty.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 9 – Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of 30 June 2022 and 31 December 2021:

in EUR	Balance sheet location	Level 1	Level 2	Level 3	Total
<b>30 June 2022</b>					
<b>Assets</b>					
Money market funds	Cash and cash equivalents	119			119
Derivative assets	Other current assets		20		20
Derivative assets	Other assets		10		10
<b>Liabilities</b>					
Derivative liabilities	Other accrued expenses		74		74
Derivative liabilities	Other liabilities		73		73
<b>31 December 2021</b>					
<b>Assets</b>					
Money market funds	Cash and cash equivalents	764			764
Derivative assets	Other current assets		25		25
Derivative assets	Other assets		13		13
Equity securities	Other assets	44			44
<b>Liabilities</b>					
Derivative liabilities	Other accrued expenses		11		11
Derivative liabilities	Other liabilities		35		35

In 2022, the Company fully consolidates AKKA Technologies SE and will therefore no longer disclose it as an investment in equity securities.

The Company uses the following methods and assumptions in estimating the fair values of financial assets and liabilities measured at fair value on a recurring basis:

- **Money market funds and equity securities:** The fair value of money market funds and equity securities is estimated using quoted market prices.
- **Derivative assets and liabilities:** The fair values of interest rate swaps and foreign currency contracts are calculated using the present value of future cash flows based on observable market inputs. FX options are valued based on a Black-Scholes model, using major observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments. The non-performance adjustment reflects the Credit Default Swap (CDS) applied to the exposure of each transaction. The Company uses the counterparty CDS spread in the case of an asset position and its own CDS spread in the case of a liability position. As of 30 June 2022 and 31 December 2021, the total impact of non-performance risk and liquidity risk was an adjustment of EUR 1 and less than EUR 1, respectively.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Disclosure about financial instruments carried on a cost basis

The following table represents the fair values of the Company's assets and liabilities carried on a cost basis as of 30 June 2022 and 31 December 2021:

in EUR	Carrying value	Level 1	Level 2	Level 3	Total fair value
<b>30 June 2022</b>					
<b>Liabilities</b>					
Current maturities of long-term debt (excluding finance lease obligations)	299	300			300
Long-term debt, less current maturities (excluding finance lease obligations)	2,745	2,392			2,392
<b>31 December 2021</b>					
<b>Liabilities</b>					
Current maturities of long-term debt (excluding finance lease obligations)	299	303			303
Long-term debt, less current maturities (excluding finance lease obligations)	2,751	2,770			2,770

The Company uses the following methods and assumptions in estimating fair values of financial instruments carried on a cost basis:

- **Short-term debt:** The carrying amount approximates the fair value given the short maturity of such instruments.
- **Long-term debt, including current maturities of long-term debt** (excluding finance lease obligations): The fair value of the Company's publicly traded long-term debt is estimated using quoted market prices (refer to Note 5 for details of debt instruments).

## Investments measured using net asset value

The following table represents the Company's investments that are measured using the net asset value per share on a recurring basis as of 30 June 2022 and 31 December 2021:

in EUR	Unfunded commitments	Redemptions frequency (if currently eligible)	Redemption notice period	30.06.2022	31.12.2021
Private equity investment fund	1	not eligible	n.a.	17	13
<b>Total</b>				<b>17</b>	<b>13</b>

This investment fund makes minority investments in equity and equity-related instruments in micro, small and medium-sized companies. The target companies operate predominantly in the internet, mobile, SaaS and technology industry. The fair value of the investment has been estimated using the net asset value per share. The investment is subject to a lockup until 2026 when the fund will be liquidated over the subsequent two years. The investment can be sold to a third party prior to its liquidation.

## Note 10 - Other income/(expenses), net

For the first six months of 2022 and the first six months of 2021, Other income/(expenses), net, consist of the following:

in EUR	2022	2021
Foreign exchange gain/(loss), net	3	(4)
Interest income	3	3
Other non-operating income/(expenses), net	(25)	
<b>Total other income/(expenses), net</b>	<b>(19)</b>	<b>(1)</b>

Other non-operating income/(expense), net includes a EUR 12 expense related to Digital Venture Incentive Plans.

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 11 – Income taxes

Adecco Group AG is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2022 were provided at a rate of 28%, based on the Company's current estimate of the annual effective tax rate. For the first six months of 2021, the tax rate was 29%.

The income tax rate in the first six months of 2022 and in the first six months of 2021 includes the positive impact of EUR 5 and positive impact of EUR 1, respectively, from tax disputes, prior year adjustments, the expiration of the statute of limitations, and other discrete events.

As of 30 June 2022 and excluding the effects of the AKKA acquisition for which the initial acquisition accounting is incomplete, the total amount of unrecognised tax benefits recorded decreased by EUR 2 compared to 31 December 2021 primarily due to the expiration of the statute of limitations and closure of tax audits in several jurisdictions, partially offset by current year additions and fluctuations in foreign currency exchange rates. As of 30 June 2021 the total amount of unrecognised tax benefits recorded increased by EUR 8 compared to 31 December 2020 primarily due to current year additions and fluctuations in foreign currency exchange rates.

The Company and its subsidiaries file income tax returns in multiple jurisdictions with varying statutes of limitations. Based on the outcome of examinations, or as a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognised tax benefits for tax positions taken regarding previously filed tax returns could materially change in the next 12 months from those recorded as liabilities for uncertain tax positions in the Company's financial statements. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

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

## Note 12 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended 30 June 2022 and 30 June 2021:

in EUR (except number of shares)	2022		2021	
	Basic	Diluted	Basic	Diluted
<b>Numerator</b>				
<b>Net income attributable to Adecco Group shareholders</b>	<b>169</b>	<b>169</b>	<b>269</b>	<b>269</b>
<b>Denominator</b>				
<b>Weighted-average shares</b>	<b>166,539,810</b>	<b>166,539,810</b>	<b>161,150,966</b>	<b>161,150,966</b>
Incremental shares for assumed conversions:				
• Employee stock-based compensation		329,675		727,072
<b>Total average equivalent shares</b>	<b>166,539,810</b>	<b>166,869,485</b>	<b>161,150,966</b>	<b>161,878,038</b>
<b>Per share amounts</b>				
<b>Net earnings per share</b>	<b>1.02</b>	<b>1.01</b>	<b>1.67</b>	<b>1.66</b>



# Notes to consolidated financial statements (continued)

in millions, except share and per share information

## Note 13 – Segment reporting

The Company organises its business along three distinct Global Business Units (GBU): Adecco, LHH and Akkodis. The primary segment reporting is therefore built on a brand-driven organisational model structured around solutions-based business groups comprising Adecco (further split by geography: France; Northern Europe; DACH; Southern Europe & EEMENA; Americas; and APAC), LHH, and Akkodis. The structure is complemented by secondary segment reporting of the Company's service lines (comprising Flexible Placement; Permanent Placement; Career Transition; Outsourcing, Consulting & Other Services; and Training, Upskilling & Reskilling).

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. The Company has not disclosed the segment assets because management does not currently review segment assets by GBU. The accounting principles used for the segment reporting are those used by the Company.

Revenues derived from Flexible Placement represented 77% for the first six months of 2022 and 82% for the first six months of 2021 of the Company's revenues. The remaining portion was derived from Permanent Placement, Career Transition, Outsourcing, Consulting & Other Services, and Training, Upskilling & Reskilling.

in EUR	Adecco France	Adecco Northern Europe	Adecco DACH	Adecco Southern Europe & EEMENA	Adecco Americas	Adecco APAC	Adecco	LHH	Akkodis	Corporate	Total
<b>Six months ended 30 June 2022</b>											
Revenues	2,398	1,201	740	2,004	1,263	1,063	8,669	938	1,777		11,384
Operating income before amortisation of intangible assets and impairment of goodwill	98	22	21	109	10	64	324	45	113	(152)	330
Amortisation of intangible assets											(60)
Operating income											270
Interest expense, and other income/(expenses), net											(41)
Provision for income taxes											(59)
<b>Net income</b>											170
<b>Six months ended 30 June 2021</b>											
Revenues	2,229	1,286	705	1,894	1,225	932	8,271	902	1,061		10,234
Operating income before amortisation of intangible assets and impairment of goodwill	114	31	17	109	39	58	368	78	65	(82)	429
Amortisation of intangible assets											(36)
Operating income											393
Interest expense, and other income/(expenses), net											(14)
Provision for income taxes											(109)
<b>Net income</b>											270

# Notes to consolidated financial statements (continued)

in millions, except share and per share information

The following table presents the Company's revenues disaggregated by country.

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Six months ended 30 June 2022	2,781	1,724	773	729	824	1,224	246	3,083	11,384
Six months ended 30 June 2021	2,408	1,519	834	609	761	1,096	200	2,807	10,234

## Note 14 – Commitments and contingencies

### Guarantees and standby letters of credit

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 790. The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. The standby letters of credit mainly relate to workers' compensation. 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 15 – Subsequent events

The Company has evaluated subsequent events through 3 August 2022, the date the financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to 3 August 2022 that would have a material impact on the consolidated financial statements.

# Non-US GAAP information and financial measures

in millions, except share and per share information

## Non-US GAAP information and financial measures

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

The aforementioned non-US GAAP financial measures should not be relied upon to the exclusion of US GAAP financial measures, but rather reflect additional measures of comparability and means of viewing aspects of the Company's operations that, when viewed together with the US GAAP results, provide a more complete understanding of factors and trends affecting the Company's business.

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

### Bill rate

An average hourly billing rate for flexible placement services indicating current price levels.

### Pay rate

An average hourly payroll rate including social charges for flexible placement services indicating current costs.

### Constant currency

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

### Organic growth

Organic growth figures exclude the impact of currency, acquisitions, and divestitures. Management believes that organic growth comparisons are important supplemental information because these comparisons exclude the impact of changes resulting from foreign currency exchange rate fluctuations, acquisitions, and divestitures.

### EBITA

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

### EBITA excluding one-offs

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

### EBITDA

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

### EBITDA excluding one-offs

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

### Conversion ratio

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

### Free cash flow (FCF)

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

### Cash conversion

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

### Days sales outstanding (DSO)

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

### Net debt

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

### Net debt to EBITDA excluding one-offs

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

### Adjusted earnings per share

Adjusted earnings per share refers to Net income attributable to Adecco Group shareholders before amortisation and impairment of goodwill and intangible assets, excluding one-off costs and exceptional tax items, divided by basic weighted-average shares outstanding.

# Addresses

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