Half Year Report 2008

Adecco

better work, better life

Contents

Adecco Group – Selected financial information (unaudited)

in millions, except share and per share information

For the six months ended (in EUR)	**30.6.2008**	**30.6.2007**
Statements of operations		
Revenues	10,231	10,273
Operating income	509	512
Net income	349	355

As of (in EUR)	**30.6.2008**	**31.12.2007**
Balance sheets		
Cash and cash equivalents and short-term investments	351	563
Trade accounts receivable, net	3,815	3,773
Goodwill	2,611	2,646
Total assets	7,992	8,254
Short-term debt and current maturities of long-term debt	451	357
Accounts payable and accrued expenses	3,320	3,476
Long-term debt, less current maturities	1,090	1,072
Total liabilities	5,324	5,374
Total shareholders' equity	2,663	2,873

For the six months ended (in EUR)	**30.6.2008**	**30.6.2007**
Cash flows		
Cash flows from operating activities	238	394
Cash flows from/(used in) investing activities	(91)	(56)
Cash flows from/(used in) financing activities	(343)	(78)
Other indicators		
Capital expenditures, net	(48)	(42)

As of	**30.6.2008**	**31.12.2007**
Other indicators		
Net debt (in EUR)[1]	1,190	866
Additional statistics		
Number of FTE employees at end of period (approximate)	36,500	37,000

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

Adecco Group – Financial review

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1. Operational results

1.1 Overview

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

Group **revenues** for the first six months of 2008 were EUR 10,231. Compared to the same period last year, revenues were flat. In constant currency, revenues were up 3% due to the acquisition of Tuja.

Gross margin was 18.7%, down 40 basis points ("bps") compared to the first six months of 2007. Gross profit was positively impacted by the modification to the calculation of social charges in France in both periods: by EUR 61 in the first six months of 2008 related to the year 2005 and by EUR 144 in the first six months of 2007 related to the year 2006 and the first six months of 2007 (for further details refer to Note 1 of the consolidated financial statements). When excluding these benefits in both periods, the gross margin improved 40 bps compared to the first half of 2007, mainly due to an improved gross margin in the temporary staffing business, the Tuja acquisition, and the growing contribution from the outplacement business.

Selling, general and administrative expenses ("SG&A") were down 4% on a reported basis and stayed at last year's level in constant currency. SG&A as a percentage of revenues decreased by 50 bps to 13.5% in the first six months of 2008 (H1 2007: 14.0%). Excluding the costs related to the modification to the calculation of French social charges of EUR 7 in 2008 and EUR 43 in 2007, acquisitions, and the currency impact, SG&A decreased by 1% or 20 bps in the first six months of 2008 compared to the first six months of 2007. Excluding acquisitions the office network declined by 1% and full time equivalent ("FTE") employees stayed at last year's level. At the end of June 2008, the Company had over 36,500 FTE employees and over 6,700 offices.

Amortisation of intangible assets increased by EUR 14 to EUR 22 in the first six months of 2008 due to the acquisition of Tuja, which was consolidated as of August 2007.

Operating income for the first six months of 2008 was EUR 509 compared to EUR 512 in the same period of 2007 representing a decrease of 1%. In constant currency, operating income increased by 2%. The operating income margin was 5.0% for the first six months of 2008 and 2007. Excluding the benefits of EUR 54 in the first half of 2008 and EUR 101 in the first half of 2007 related to the modification to the calculation of French social charges, operating income increased by 14% in constant currency and the operating income margin improved by 40 bps to 4.4% in the first six months of 2008.

Interest expense was EUR 30 compared to EUR 26 in the first six months of 2007. **Other income/(expenses), net,** were EUR 9, a decrease of EUR 10 compared to the same period a year ago mainly due to lower interest income on a lower cash position.

The effective **tax rate** in the first six months of 2008 was 28% compared to 29% in the same period of 2007.

Net income was down 2% to EUR 349 in the first six months of 2008 (H1 2007: EUR 355). Basic earnings per share ("EPS") was EUR 1.98 (H1 2007: EUR 1.92). Excluding the benefits related to the modification to the calculation of French social charges of EUR 36 to net income in the first six months of 2008 and of EUR 66 in the first six months of 2007, net income was up 9%. These benefits positively impacted EPS by EUR 0.20 in the first half of 2008 and EUR 0.36 in the first half of 2007.

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1.2 Geographical performance

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

in EUR	H1 2008	H1 2007	Variance % EUR	Variance % Constant Currency	H1 2008	H1 2007	Variance % EUR	Variance % Constant Currency
	Revenues				**Operating income**			
France	3,393	3,385	0	0	181	231	(22)	(22)
USA & Canada	1,368	1,641	(17)	(6)	60	73	(18)	(7)
UK & Ireland	748	956	(22)	(11)	26	27	(5)	8
Germany	792	495	60	60	81	51	58	58
Japan	710	694	2	4	52	46	13	14
Italy	636	619	3	3	47	41	14	14
Iberia	549	552	(1)	(1)	35	33	7	7
Nordics	507	463	10	9	25	17	49	48
Benelux	473	480	(1)	(1)	25	22	14	14
Switzerland & Austria	273	233	17	16	20	18	14	13
Australia & New Zealand	210	228	(8)	(7)	5	5	(3)	(2)
Emerging Markets	572	527	8	16	21	16	32	41
Total Operating Units					**578**	**580**	**0**	**2**
Corporate expenses					(47)	(60)		
EBITA					**531**	**520**	**2**	**5**
Amortisation of intangible assets					(22)	(8)		
Adecco Group	**10,231**	**10,273**	**0**	**3**	**509**	**512**	**(1)**	**2**

France

In France, revenues were flat and operating income was down by 22% compared to the same period last year. Gross profit, SG&A, and operating income in the first six months of 2008 and the first six months of 2007 were impacted by the modification to the calculation of French social charges. Excluding this impact, the operating income in the first half of 2008 was down 3% compared to the first six months of 2007 as the gross margin was stable and SG&A as a percentage of sales increased by 10 bps. Office and Industrial represented over 90% of France's revenues.

USA & Canada

In the USA & Canada, revenues decreased by 17% or 6% in constant currency compared to the first six months of 2007 in a generally weaker market environment. Operating income declined 18% or 7% in constant currency. The operating income margin was 4.4% in both periods. The gross margin improvement due to a 35% revenue growth in constant currency in the high margin outplacement business compensated for the additional expenses in connection with investments to improve customer mix and cost efficiency. Office and Industrial represented approximately 60% of the Company's revenues in the USA & Canada.

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UK & Ireland
In the first six months of 2008, revenues in the UK & Ireland decreased by 22% or 11% in constant currency. The operating income margin improved by 70 bps to 3.5% and operating income decreased by 5% or increased by 8% in constant currency compared to the first six months of 2007.

Germany
In Germany, the Company grew revenues by 60% compared to the first six months of 2007. The acquisition of Tuja added 54% to revenue growth. Operating income grew 58% or 12% excluding acquisitions, corresponding to an operating income margin of 10.2%.

Japan
In Japan, revenues increased by 2% or 4% in constant currency compared to the first six months of 2007. Excellent cost management led to an operating income increase of 13% or 14% in constant currency and an operating income margin improvement of 70 bps to 7.4%.

Italy, Iberia and Emerging Markets
Italy revenues grew by 3% whereas revenues in Iberia declined by 1% compared to the first six months of 2007. Emerging Markets revenues grew by 8% or 16% in constant currency.

1.3 Business line performance

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

in EUR	H1 2008	H1 2007	Variance % EUR	Variance % Constant Currency
Revenues[1]				
Office	2,222	2,361	(6)	(1)
Industrial	5,699	5,515	3	5
Total Office & Industrial	**7,921**	**7,876**	**1**	**3**
Information Technology	594	708	(16)	(9)
Engineering & Technical	427	462	(8)	0
Finance & Legal	246	264	(7)	2
Medical & Science	134	111	21	22
Sales, Marketing & Events	216	211	2	3
Human Capital Solutions	129	121	6	13
Total Professional Business Lines	**1,746**	**1,877**	**(7)**	**0**
Emerging Markets[2]	**564**	**520**	**8**	**16**
Adecco Group	**10,231**	**10,273**	**0**	**3**

1 Breakdown of revenues is based on dedicated branches.
The 2008 information includes certain changes in the allocation of branches to business lines, most notably from Finance & Legal to Office and from Office to Sales, Marketing & Events, as well as from Emerging Markets to Office & Industrial (Austria previously reported under Emerging Markets is now reported together with Switzerland). The 2007 information has been restated to conform to the current year presentation.

2 Emerging Markets excluding professional business lines.

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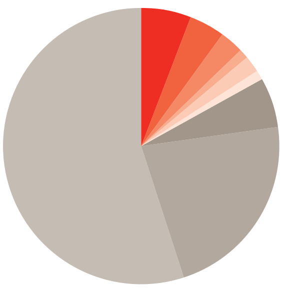
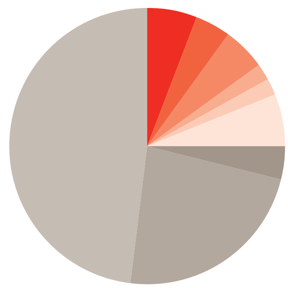
The following graphs illustrate the share of revenues and gross profit in percent in the first six months of 2008:

H1 2008 revenues in percent



H1 2008 gross profit in percent



1 Emerging Markets excluding professional business lines.

Office & Industrial

The Company's Office and Industrial businesses which represented 77% of revenues grew by 1% or 3% in constant currency (or declined by 1% when excluding the acquisition of Tuja and the currency impact) to EUR 7,921 compared to the first six months of 2007. In the Industrial business, revenues declined by 1% when excluding the acquisition of Tuja and the currency impact. France, which comprises approximately 50% of the Industrial business, increased sales by 1%. In the Office business, revenues declined by 1% in constant currency. Demand was good in Japan and the Nordics, and weak in France, USA & Canada and UK & Ireland. Together these countries generated more than 80% of the Office business revenues.

Information Technology

In Information Technology (IT), revenues decreased by 16% or 9% in constant currency compared to the first six months of 2007. Continued customer portfolio optimisation led to a 20% revenue decline in the UK & Ireland while revenues in the USA & Canada declined by 1%, both in constant currency. UK & Ireland and USA & Canada comprised approximately 70% of the IT business line's revenues. IT represented 6% of the Company's revenues in the first six months of 2008.

Engineering & Technical

Revenues in the Engineering & Technical (E&T) business decreased by 8% or remained flat in constant currency in the first six months of 2008 compared to the same period in 2007. In the USA & Canada, the Company increased revenues by 2% in constant currency, while revenues in the UK & Ireland declined by 21% in constant currency. Germany increased revenues by 14%. UK & Ireland combined with the USA & Canada and Germany comprised approximately 75% of Engineering & Technical's revenues. Engineering & Technical represented 4% of the Company's revenues in the first six months of 2008.

Finance & Legal

In Finance & Legal (F&L), revenues were down 7% or up 2% in constant currency compared to the first six months of 2007. The slight decline in revenues in the USA & Canada in constant currency was more than offset by strong revenue growth in constant currency in the Nordics and in Germany. Finance & Legal businesses in the USA & Canada, the Nordics and Germany comprised approximately 80% of the business line's revenues. The business line contributed 3% to the Company's revenues in the first six months of 2008.

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Human Capital Solutions
In Human Capital Solutions (HCS), revenues increased by 6% or 13% in constant currency in the first six months of 2008 compared to the same period last year, mainly due to strong demand in the USA & Canada.

Sales, Marketing & Events/Medical & Science
Sales, Marketing & Events (SM&E) and Medical & Science (M&S) added 2% (3% in constant currency) and 21% (22% in constant currency) to revenues, respectively, in the first six months of 2008 compared to the first six months of 2007.

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

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

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

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

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

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

3. Balance sheet, cash flow and net debt

The Company generated EUR 238 of operating cash flow in the first six months of 2008, compared with EUR 394 in the same period of 2007. This decrease is due to additional profit sharing payments in 2008 of EUR 34 as a result of the 2007 modification to the calculation of the French social charges. In addition, the first six months of 2007 operating cash flow included a cash benefit of EUR 66 related to the modification to the calculation of the French social charges. Net debt increased by EUR 324 to EUR 1,190 at the end of June 2008 compared to year-end. This increase was mainly caused by the payment for the purchase of treasury shares of EUR 269, payments of dividends of EUR 163, and capital expenditures of EUR 48 partially offset by operating cash flows of EUR 238. In the first six months of 2008, days sales outstanding (DSO) improved by 0.7 days to 57.5 days compared to the same period last year.

On August 12, 2008, the Company announced that the Board of Directors has decided to repurchase up to an additional 2% of the Company's issued shares by the end of 2008, which is equivalent to approximately EUR 120 at the current share price level. The shares are intended to be used for future acquisitions or to minimise potential dilution related to the outstanding convertible bond.

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4. Outlook

Management remains focused on value based management especially during current, economically more difficult times. Through stringent cost control and the focus on professional and specialised business fields, the Company is well positioned and can exploit external opportunities to enhance its leadership position in the global staffing market.

For the remainder of the year, the Company anticipates continued weak markets in the USA & Canada, while in Europe and in Japan a further market deceleration is anticipated. Given weaker demand, due to the softening economic environment, the focus on aligning the cost base with revenue developments is at the forefront of management's priorities. The Company remains fully committed to reach an EBITA margin in excess of 5.0% in 2009. With further weakening of the economic environment this target becomes increasingly ambitious.

5. Forward-looking statements

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

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

Adecco Group –
Consolidated balance sheets (unaudited)

in millions, except share and per share information

As of (in EUR)		**30.6.2008**	**31.12.2007**
Assets			
Current assets:			
• Cash and cash equivalents		344	555
• Short-term investments		7	8
• Trade accounts receivable, net		3,815	3,773
• Other current assets		309	324
Total current assets		**4,475**	**4,660**
Property, equipment, and leasehold improvements, net		222	223
Other assets		256	277
Intangible assets, net		428	448
Goodwill		2,611	2,646
Total assets		**7,992**	**8,254**
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses		3,320	3,476
• Short-term debt and current maturities of long-term debt	Note 2	451	357
Total current liabilities		**3,771**	**3,833**
Long-term debt, less current maturities	Note 2	1,090	1,072
Other liabilities		463	469
Total liabilities		**5,324**	**5,374**
Minority interests		**5**	**7**
Shareholders' equity			
Common shares		118	118
Additional paid-in capital		2,119	2,121
Treasury stock, at cost	Note 3	(553)	(279)
Retained earnings		1,249	1,064
Accumulated other comprehensive income/(loss), net	Note 3	(270)	(151)
Total shareholders' equity		**2,663**	**2,873**
Total liabilities and shareholders' equity		**7,992**	**8,254**

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

Adecco Group –
Consolidated statements of operations (unaudited)

in millions, except share and per share information

For the six months ended (in EUR)		**30.6.2008**	**30.6.2007**
Revenues	Note 7	10,231	10,273
Direct costs of services		(8,319)	(8,311)
Gross profit	Note 1	**1,912**	**1,962**
Selling, general and administrative expenses		(1,381)	(1,442)
Amortisation of intangible assets		(22)	(8)
Operating income	Note 1, 7	**509**	**512**
Interest expense		(30)	(26)
Other income/(expenses), net		9	19
Income before income taxes and minority interests		**488**	**505**
Provision for income taxes	Note 6	(136)	(145)
Income applicable to minority interests		(3)	(5)
Net income		**349**	**355**
Basic earnings per share		**1.98**	**1.92**
Basic weighted-average shares		176,473,705	185,068,808
Diluted earnings per share		**1.90**	**1.83**
Diluted weighted-average shares		186,004,588	195,435,468

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

Adecco Group – Consolidated statements of cash flows (unaudited)

in millions, except share and per share information

For the six months ended (in EUR)	30.6.2008	30.6.2007
Cash flows from operating activities		
Net income	349	355
Adjustments to reconcile net income to cash flows from operating activities:		
• Depreciation and amortisation	62	52
• Other charges	18	18
Changes in operating assets and liabilities, net of acquisitions:		
• Trade accounts receivable	(105)	(209)
• Accounts payable and accrued expenses	(110)	178
• Other assets and liabilities	24	
Cash flows from operating activities	**238**	**394**
Cash flows from/(used in) investing activities		
Capital expenditures, net of proceeds	(48)	(42)
Purchase of auction rate securities	(31)	(423)
Proceeds from sale of auction rate securities	26	422
Purchase of other available-for-sale securities	(1)	
Proceeds from sale of other available-for-sale securities	1	4
Cash settlements on derivative instruments	(10)	(4)
Other acquisition and investing activities	(28)	(13)
Cash flows from/(used in) investing activities	**(91)**	**(56)**
Cash flows from/(used in) financing activities		
Net increase in short-term debt	418	18
Repayment of long-term debt	(322)	
Dividends paid to shareholders	(163)	(135)
Common stock options exercised		33
Cash settlements on derivative instruments		2
Purchase of treasury shares	(269)	
Other financing activities	(7)	4
Cash flows from/(used in) financing activities	**(343)**	**(78)**
Effect of exchange rate changes on cash	**(15)**	**(11)**
Net increase/(decrease) in cash and cash equivalents	**(211)**	**249**
Cash and cash equivalents:		
• Beginning of year	555	875
• End of period	344	1,124

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

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

in millions, except share and per share information

in EUR	Common shares	Additional paid-in capital	Treasury stock, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Total shareholders' equity
January 1, 2007	**117**	**2,100**	**(182)**	**466**	**(35)**	**2,466**
Comprehensive income:						
Net income				355		355
Other comprehensive income/(loss)						
• Unrealised gain on cash flow hedging activities, net of tax					17	17
• Changes in available-for-sale securities, net of tax					1	1
Total comprehensive income						**373**
Stock-based compensation		2				2
Common stock options exercised	1	17	14			32
Exchange of subsidiary stock options for Adecco S.A. shares		(5)	5			
Excess tax benefit on exercise of stock options		5				5
Impact of adoption of FIN 48				(2)		(2)
Cash dividends, CHF 1.20 per share				(135)		(135)
June 30, 2007	**118**	**2,119**	**(163)**	**684**	**(17)**	**2,741**

in EUR	Common shares	Additional paid-in capital	Treasury stock, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Total shareholders' equity
January 1, 2008	**118**	**2,121**	**(279)**	**1,064**	**(151)**	**2,873**
Comprehensive income:						
Net income				349		349
Other comprehensive income/(loss)						
• Currency translation adjustment, net of tax					(120)	(120)
• Pension related adjustments, net of tax					1	1
Total comprehensive income						**230**
Treasury stock transactions			(274)			(274)
Transactions with derivatives on Adecco S.A. shares		(2)				(2)
Impact of adoption of SFAS No. 158 measurement date provisions, net of tax				(1)		(1)
Cash dividends, CHF 1.50 per share				(163)		(163)
June 30, 2008	**118**	**2,119**	**(553)**	**1,249**	**(270)**	**2,663**

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

Adecco Group – Notes to the consolidated financial statements (unaudited)

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Note 1 • Summary of significant accounting policies

Basis of presentation and principles of consolidation

The consolidated half year financial statements include Adecco S.A., a Swiss corporation, its majority-owned subsidiaries and other affiliated entities (collectively, the "Company"). The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of December 31, 2007 and for the year then ended (except as noted below under "New accounting standards").

Certain information and footnote disclosures included in the audited consolidated financial statements as of December 31, 2007 have been condensed or omitted. As a result, the financial information to the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Financial Review and Corporate Governance for the fiscal year ended December 31, 2007.

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

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

Use of estimates

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

Social security charges in France

In April 2007, the Central Agency for Social Security Organisations in France issued a letter outlining a modification to the calculation of certain social security charges, with retroactive effect to January 1, 2006. This modification resulted in a reduction in payroll taxes to be remitted. On August 1, 2007, the French Parliament passed an amendment to the social security legislation, which became effective on October 1, 2007. This amendment eliminated the payroll tax benefits resulting from the modification made in April 2007. The statement of operations for the six months ended June 30, 2007 included a positive effect to net income of EUR 66 in connection to this modification including an increase of EUR 144 in gross profit and EUR 43 in selling, general and administrative expenses ("SG&A"). This change resulted in an increase to the basic and diluted earnings per share, net of tax, of EUR 0.36 and EUR 0.34, respectively. Of the total net income benefit, EUR 46 related to the reduction of payroll taxes for 2006 and EUR 20 for January to June 2007.

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

Seasonality

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

New accounting standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides enhanced guidance for using fair value to measure assets and liabilities, expands the required disclosures about fair value measurement, and is applicable

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whenever other standards require assets or liabilities to be measured at fair value. However, it does not expand the use of fair value in any new circumstances. The Company adopted SFAS No. 157 for all financial assets and liabilities as well as for other assets and liabilities that are carried at fair value on a recurring basis on January 1, 2008. The adoption of SFAS No. 157 for these assets and liabilities did not have a material impact on the Company's consolidated financial statements. The Company will adopt SFAS No. 157 for non-financial assets and liabilities on January 1, 2009 and is in the process of assessing the impact of the adoption on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires entities to provide greater transparency about the reason for entering into a derivative instrument, the accounting treatment of derivative instruments and the related hedged items under SFAS No. 133 and the impact of derivative instruments and related hedged items on the Company's consolidated financial statements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141(R)") and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"). The new standards require most identifiable assets, liabilities, non-controlling interests, and goodwill acquired in a business combination to be recorded at full fair value and require non-controlling interests to be reported as a component of equity. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is in the process of assessing the impact of the adoption of these standards on the consolidated financial statements. Under SFAS No. 141(R), the direct costs of a business combination, such as transaction fees, due diligence, and consulting services are required to be expensed as incurred. The Company has elected under the transition rules to expense transaction costs capitalisable under SFAS No. 141, "Business Combinations", when it becomes probable that the possible future acquisition will not close by January 1, 2009, the date the Company will adopt SFAS No. 141(R).

Note 2 • Financing arrangements

The Company's total long-term and short-term debt as of June 30, 2008, amounted to EUR 1,541 compared to EUR 1,429 as of December 31, 2007. At June 30, 2008 and December 31, 2007, short-term debt (bank overdrafts and borrowings outstanding under lines of credit including amounts drawn under the eight-month term facility discussed below) amounted to EUR 376 and EUR 35, respectively.

Long-term debt

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.6.2008	31.12.2007
Guaranteed zero-coupon convertible bond	CHF 1,044	2013		601	579
Multicurrency revolving credit facility	EUR 550	2013		75	
Fixed rate guaranteed notes	EUR 500	2013	4.5%	488	492
Floating rate guaranteed notes	EUR 200	2008			200
Olsten EUR guaranteed notes	EUR 122	2008	6.0%		122
Other				1	1
				1,165	**1,394**
Less current maturities				(75)	(322)
Long-term debt, less current maturities				**1,090**	**1,072**

Multicurrency revolving credit facility
In April 2008, the Company renegotiated the existing EUR 580 multicurrency revolving credit facility originally maturing in March 2009. The new facility consists of a EUR 550 multicurrency revolving credit facility and a EUR 300 term facility.

The new five-year revolving credit facility of EUR 550 is used for general corporate purposes including refinancing of advances and letters of credit outstanding. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.4% and 0.7% depending on certain debt-to-EBITDA ratios. The letter of credit fee equals the applicable margin, and the commitment fee equals 33% of the applicable margin. As of June 30, 2008, the weighted-average interest rate on advances outstanding was 4.9%. As of June 30, 2008, the Company had EUR 373 available under the new facility after utilising EUR 102 in the form of letters of credit and EUR 75 in the form of advances.

The eight-month term facility of EUR 300 (which expires in December 2008) has been used to refinance the maturing long-term debt. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.325% and 0.6% depending on certain debt-to-EBITDA ratios. As of June 30, 2008, the Company had drawings outstanding of EUR 300 under the term facility and the weighted-average interest rate on advances outstanding was 5%.

Long-term debt repayments
In April and May 2008, the Company repaid EUR 200 floating rate guaranteed notes and EUR 122 Olsten guaranteed notes, respectively, utilising the EUR 300 eight-month term facility discussed above.

Note 3 • Shareholders' equity

The Company had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options as of June 30, 2008 and December 31, 2007. In addition, as of June 30, 2008 and December 31, 2007, the Company was authorised by its shareholders to issue up to 15,400,000 shares of conditional capital in connection with the issuance of financial instruments, principally convertible bonds, of which 9,523,810 shares have been earmarked for issuance upon conversion of the outstanding guaranteed zero-coupon convertible bond. The remaining 5,876,190 shares represent conditional capital that was originally authorised without time limitation in connection with the issuance of a convertible bond in 1999, which was repaid in 2004 without conversion. This conditional capital remains available for issuance upon conversion of any financial instruments the Company may issue in the future.

During the six months ended June 30, 2008, no stock options were exercised by employees or members of the Board of Directors.

The Annual General Meeting of Shareholders of Adecco S.A. was held on May 6, 2008. The shareholders approved a dividend of CHF 1.50 per common share in respect of the fiscal year 2007. The dividend to shareholders of EUR 163 was paid in the second quarter of 2008.

On November 2, 2007, the Company announced that its Board of Directors had decided to purchase the Company's shares for up to EUR 400 by the end of 2008. The share repurchase was completed as of June 30, 2008. During this period 11,488,000 treasury shares were repurchased. The shares are intended to be used for future acquisitions or to minimise potential dilution related to the outstanding convertible bond. As of June 30, 2008, the Company holds 14,850,713 treasury shares.

in millions, except share and per share information

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

in EUR	30.6.2008	31.12.2007
Accumulated other comprehensive income/(loss), net		
Currency translation adjustment	(278)	(158)
Unrealised gain on cash flow hedging activities	1	1
Pension related adjustments	7	6
Accumulated other comprehensive income/(loss), net	**(270)**	**(151)**

Note 4 • Employee benefit plans

On January 1, 2008, the Company adopted the measurement provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158") which resulted in a decrease in retained earnings of EUR 1.

For the six months ended June 30, 2008 and June 30, 2007, estimated net pension expense for the defined benefit plans is as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2008	2007	2008	2007
Components of pension expense				
Service cost	4	4	1	1
Interest cost	1	1	2	2
Expected return on plan assets	(2)	(2)	(2)	(2)
Pension expense, net	**3**	**3**	**1**	**1**

Note 5 • Fair value measurement

On January 1, 2008, the Company adopted SFAS No. 157 for all financial assets and liabilities as well as for other assets and liabilities that are carried at fair value on a recurring basis. Fair value is defined by SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritises the inputs used to measure fair value. The hierarchy requires entities to maximise the use of observable inputs and minimise the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

in millions, except share and per share information

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

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2008, consistent with the fair value hierarchy provisions of SFAS No. 157:

in EUR	Level 1	Level 2	Total
Assets:			
Available-for-sale securities	7	4	11
Derivative assets		5	5
Liabilities:			
Derivative liabilities		15	15

As of June 30, 2008, the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Note 6 • Income taxes

The Company operates in various countries with different tax laws and rates; therefore, the effective tax rate may vary from year to year due to changes in the mix of taxable income among countries and special transactions. Income taxes for the first half of 2008 were provided at a rate of 28%, based on the Company's current estimate of the annual effective tax rate. For the six months ended June 30, 2007, the tax rate was 29%.

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

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

in millions, except share and per share information

Note 7 • Segment reporting

The Company is organised in a geographic structure (which corresponds to the primary segments) complemented by global business lines, through which the professional services are marketed. The classification into business lines is determined by the largest business line revenue share generated in a specific branch.

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

in EUR	France	USA & Canada	UK & Ireland	Germany	Japan	Italy	Iberia	Other	Corporate	Total
Six months ended June 30, 2008										
Revenues	3,393	1,368	748	792	710	636	549	2,035		10,231
Depreciation	(8)	(7)	(5)	(4)	(2)	(1)	(2)	(7)	(4)	(40)
Operating income before amortisation	181	60	26	81	52	47	35	96	(47)	531
Amortisation of intangible assets										(22)
Operating income										509
Segment assets	2,074	1,115	498	2,137	234	251	347	1,155	181	7,992

in EUR	France	USA & Canada	UK & Ireland	Germany	Japan	Italy	Iberia	Other	Corporate	Total
Six months ended June 30, 2007										
Revenues	3,385	1,641	956	495	694	619	552	1,931		10,273
Depreciation	(12)	(9)	(5)	(3)	(2)	(1)	(1)	(7)	(4)	(44)
Operating income before amortisation	231	73	27	51	46	41	33	78	(60)	520
Amortisation of intangible assets										(8)
Operating income										512
Segment assets	2,247	1,296	670	890	255	324	361	1,122	940	8,105

in millions, except share and per share information

Note 8 • Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 883 including those letters of credit issued under the multicurrency revolving credit facility (EUR 102). The guarantees primarily relate to government requirements in certain countries for operating a temporary staffing business and are generally renewed either annually or every two years. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the US. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

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

French antitrust procedure

In November 2004, the French competition authority commenced an investigation of two of the Company's French subsidiaries, the former Adecco Travail Temporaire (now Adecco France SASU) and Adia SAS (now Adia SASU) and certain of their competitors. In November 2007, Adecco France SASU and Adia SASU received a Statement of Objections alleging infringements, i.e. exchange of commercially sensitive information with competitors in 2003 and 2004 and in one case, concerning Adia and Adecco and competitors, involvement in a concerted practice in response to a tender offer of a French company. In February 2008, Adecco France SASU and Adia SASU submitted their comprehensive answer to the Statement of Objections. At the beginning of June and August 2008 a further written exchange between the competition authorities and the Company took place. After a general hearing before the members of the Competition Council, to be scheduled in the last quarter of 2008, the French Competition Council will issue its decision and has the power to impose a fine. There is no provision in law regarding the time period in which the Competition Council must render such decision. The decision can be appealed before the Paris Court of Appeals. The decision of the Competition Council will be based on multiple parameters such as nature, duration, and scope of the alleged anticompetitive practices, previous infringements and harm to consumers and the economy. The Company's management, after careful assessment and being advised by its external legal advisors, recorded a reserve of EUR 15 in the fourth quarter of 2007 which did not change as of June 30, 2008. However, there can be no assurance that the ultimate resolution of this matter will not have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

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