THE ADECCO GROUP

2020 HALF YEAR REPORT

Disciplined focus and agility through the crisis

CONTENTS

"The COVID-19 pandemic has triggered an unprecedented economic and public health crisis at a global level.

Throughout the crisis, our primary focus has been on securing the wellbeing and safety of our colleagues and associates, supporting our clients in managing their human capital needs, and responding in an agile way as the environment rapidly shifts.

Due to the transformation work we have undertaken over the past few years we entered the crisis in a position of strength with a strong balance sheet, good liquidity and robust IT infrastructure. In a short period of time we were able to switch to a virtual operating model with 80% of our global colleagues working from home, and we could recruit, sell and operate our middle- and back-offices in a fully remote way.

Despite the unique challenges presented by the crisis, our business demonstrated resilience. Throughout the first half the Group remained solidly profitable with strong gross margin performance despite the steep revenue declines. This is evidence of the disciplined cost management of our teams and the balanced portfolio we have built in recent years.

While mitigating the short-term impacts of the crisis we also maintained a firm focus on our strategy to Perform, Transform and Innovate.

The GrowTogether transformation programme continued. The integrated front-office system (InFO) was rolled-out in Japan, contributing to the good growth and productivity there, and was also deployed in Spain and France. We digitised our PERFORM methodology to adapt to remote working and drive increased adoption across the Group. As well, our innovation work continued with the development of new products and solutions to further broaden our offering.

We see early signs of improvement as lockdowns ease, and we have supported almost 100,000 associates back to work since the April trough. Nevertheless, the recovery is likely to be gradual and potentially volatile, as much uncertainty persists.

Finally and most importantly, I would like to sincerely thank our valued customers for their trust in us throughout this historic crisis, and express my gratitude to our employees and associates for their unwavering commitment and tireless ongoing work in remarkably challenging circumstances."

Alain Dehaze,
Group Chief Executive Officer

in millions, except share and per share information

Balancing short-term challenges and long-term opportunities

Overview

During the first six months of 2020, the Company focused on limiting the negative impact related to the COVID-19 pandemic, while continuing to implement the Company's strategy. Revenues declined by 18% organically[1], or 19% trading days adjusted. The decline was broad-based, reaching a trough in April, after which a moderate recovery started.

Gross margin was flat compared to the first half of 2019 on a reported basis. Organically the gross margin increased by 10 bps, with a positive impact from career transition offsetting a decline in temporary staffing gross margin and a negative impact from permanent placement.

Selling, general, and administrative expenses (SG&A) excluding one-offs[2] declined 8% organically. As a percentage of revenues, SG&A excluding one-offs was 16.8%, compared to 14.8% a year ago, driven primarily by negative operating leverage. FTE employees declined 11% organically year-on-year; a result of adapting headcount to the revenue trends. The EBITA[3] margin excluding one-offs was 2.5%, a decrease of 170 bps year-on-year on a reported basis.

Free cash flow[4] was EUR 341, compared to EUR 248 in the first six months of last year. The Company paid EUR 46 for the purchase of treasury shares in the first six months of 2020 and distributed EUR 381 in dividends. Net debt[5] at 30 June 2020 was EUR 519, representing a ratio of 0.6x net debt to EBITDA[6] excluding one-offs.

Revenues declined by 28% in Q2 2020, organically and trading days adjusted. The rate of revenue decline was greatest in April and improved as the quarter progressed, with June declining 26% year-on-year and July showing further gradual improvement.

in EUR	HY 2020	HY 2019	Variance Reported	Variance Organic
Summary of income statement information				
Revenues	**9,320**	11,568	-19%	-18%
Gross profit	**1,780**	2,208	-19%	-18%
EBITA excluding one-offs[2]	**229**	491	-53%	-50%
EBITA	**186**	462	-60%	-57%
Net income/(loss) attributable to Adecco Group shareholders	**(327)**	292	n.m.	
Diluted EPS	**(2.01)**	1.80	n.m.	
Gross margin	**19.1%**	19.1%	0 bps	10 bps
EBITA margin excluding one-offs	**2.5%**	4.2%	(170) bps	(160) bps
EBITA margin	**2.0%**	4.0%	(200) bps	(180) bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)	**559**	385		
Free cash flow (FCF)	**341**	248		
Net debt	**519**	1,381		
Days sales outstanding	**54**	52		
Cash conversion[7]	**145%**	84%		
Net debt to EBITDA excluding one-offs	**0.6x**	1.2x		

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 2020, SG&A included one-offs of EUR 43 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 4 quarters of EBITA excluding one-offs plus depreciation.

7 Cash conversion is a non-US GAAP measure and is calculated as the last 4 quarters of FCFBIT divided by the last 4 quarters of EBITA excluding one-offs.

in millions, except share and per share information

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 six months of 2020, revenues of EUR 9,320 were down 19% year-on-year on a reported basis. Divestments had a negative impact on revenues of approximately 2% and the currency impact was negligible. The number of working days had a positive impact of around 1%. On an organic basis revenues were therefore down approximately 18%, and down 19% on a trading days adjusted basis.

Revenues in temporary staffing were EUR 7,909, down 21% on a reported basis, and down 20% organically, compared to the prior year. Permanent placement revenues were EUR 221, a decrease of 26% both on a reported basis and organically. Revenues from career transition amounted to EUR 184, an increase of 6% on a reported basis and 5% organically.

In Workforce Solutions, in the Adecco brand, revenues declined by 20% organically. In Professional Solutions, revenues declined by 15%, comprising a decrease of 6% in Modis, 18% in Badenoch + Clark / Spring Professional, and 27% in Other Professional Brands, all on an organic basis. In Talent Solutions and Ventures, revenues decreased by 4%; flat in LHH and Pontoon, and down 18% in the Ventures, all organically.

Gross profit

Gross profit amounted to EUR 1,780 in the first six months of 2020, down 19% on a reported basis and down 18% organically. The gross margin was 19.1%, flat compared to the first six months of 2019. Compared to the prior year, currency increased gross margin by 10 bps, while acquisitions and divestments (primarily the divestment of Soliant) had a negative impact of 20 bps.

On an organic basis, the gross margin was up 10 bps. A decline in temporary staffing gross margin of 30 bps, driven by higher bench costs relating to the pandemic, and a negative impact of 20 bps from permanent placement, was offset by career transition and other activities, which had positive impacts of 50 bps and 10 bps respectively, all on an organic basis.

Gross margin drivers YoY

in basis points	HY 2020	HY 2019
Temporary staffing	(30)	35
Permanent placement	(20)	15
Career transition	50	0
Other	10	0
Organic	10	50
Acquisitions and divestments	(20)	25
Currency	10	15
Reported	0	90

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

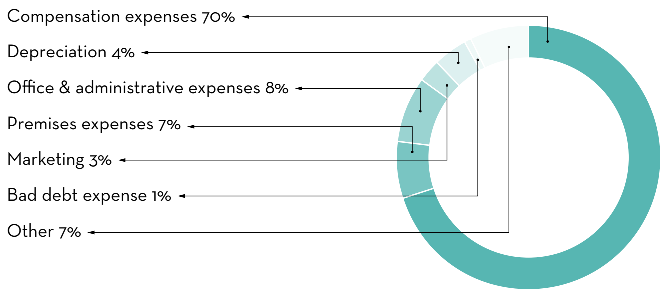
SG&A excluding one-offs was EUR 1,565 in the first six months of 2020, down 8% organically compared to the prior year. SG&A excluding one-offs as a percentage of revenues was 16.8%, compared to 14.8% a year ago. Reported SG&A was EUR 1,608. FTE employees decreased by 11% organically year-on-year. Compared to the first six months of 2019, the branch network was down 5% organically.

In the first six months of 2020, one-off costs of EUR 43 were incurred. These comprised restructuring costs of: EUR 7 in North America, UK & Ireland General Staffing; EUR 4 in North America, UK & Ireland Professional Staffing; EUR 17 in Germany, Austria, Switzerland; EUR 5 in Benelux and Nordics; EUR 2 in Rest of World; EUR 5 in Career Transition & Talent Development; and acquisition-related costs of EUR 1 in North America, UK & Ireland Professional Staffing and EUR 2 in Career Transition & Talent Development. In the first six months of 2019, one-offs were EUR 29, comprising restructuring costs of: EUR 2 in France; EUR 4 in North America, UK & Ireland Professional Staffing; EUR 17 in Germany, Austria, Switzerland; EUR 1 in Corporate; and acquisition-related costs of EUR 5 in Career Transition & Talent Development. Restructuring charges are in response to the COVID-19 pandemic as well as the GrowTogether transformation programme.

Compensation expenses were EUR 1,125 in the first six months of 2020, compared to EUR 1,275 in the same period of 2019, and represented 70% of total SG&A. Marketing expenses were EUR 50, compared to EUR 52 in the first six months of 2019. Bad debt expense increased to EUR 21 in the first six months of 2020, from EUR 7 in the same period of 2019, linked to the COVID-19 crisis.

SG&A breakdown

HY 2020



in millions, except share and per share information

EBITA

EBITA excluding one-offs was EUR 229 in the first six months of 2020, down 53% on a reported basis year-on-year, and down 50% organically. The EBITA margin excluding one-offs was 2.5%, down 170 bps year-on-year on a reported basis and down 160 bps organically.
The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 12.9% in the first six months of 2020 compared to 22.2% in the same period of 2019. One-offs amounted to EUR 43 in the first six months of 2020 and EUR 29 in the same period of 2019. EBITA was EUR 186 in the first six months of 2020 compared to EUR 462 in first six months of 2019, a decrease of 60% reported and 57% organically. The EBITA margin was 2.0% in the first six months of 2020 and 4.0% in the same period of 2019.

Amortisation of intangible assets and Impairment of goodwill

Amortisation of intangible assets was EUR 42 compared to EUR 27 in the first six months 2019. In Q1 2020, the Company recognised a goodwill impairment of EUR 362, relating to the Germany, Austria, Switzerland reporting segment. The impairment was driven by the unprecedented degree of forecast uncertainty relating to COVID-19, compounding already challenging market dynamics in Germany.

Operating income/(loss)

Operating loss was EUR 218 in the first six months of 2020, driven by the EUR 362 impairment of goodwill. In the first six months of 2019, operating income was EUR 435.

Interest expense and other income/(expenses), net

Interest expense was EUR 15 in the first six months of 2020 compared to EUR 18 in the first six months of 2019. 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 six months of 2020, other income/(expenses), net amounted to an expense of EUR 5, compared to an expense of EUR 4 in the same period of 2019.

Provision for income taxes

Provision for income taxes was EUR 88 in the first six months of 2020 compared to EUR 121 in the first six months of 2019. 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 six months of 2020, the effective tax rate excluding the impairment of goodwill, which is not tax deductible, was 41% and included a negative impact of 1% from discrete events. In the first six months of 2019, the effective tax rate was 29%, which included a positive impact of 4% from discrete events.

Net income/(loss) attributable to Adecco Group shareholders and EPS

Net loss attributable to Adecco Group shareholders was EUR 327 in the first six months of 2020, driven by the goodwill impairment of EUR 362, compared to an income of EUR 292 in the same period of 2019. Basic loss per share was EUR 2.02 in the first six months of 2020 compared to basic earnings per share of EUR 1.80 in the first six months of 2019.

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 2020	HY 2019
Summary of cash flow information		
Cash flows from operating activities	411	326
Cash used in investing activities	(87)	(97)
Cash used in financing activities	(166)	(304)

Cash flows from operating activities increased to EUR 411 in the first six months of 2020 from EUR 326 in the same period of 2019 with the increase due to reduced working capital, reflecting a lower level of business activity. DSO was 54 days for the first six months of 2020 and 52 days in the first six months of 2019, with the increase primarily driven by the sharp decline in revenues in Q2 2020.

Cash used in investing activities totalled EUR 87 compared to EUR 97 in the first six months of 2019. Capital expenditures amounted to EUR 70 in the first six months of 2020 and EUR 78 in the same period of 2019.

Cash used in financing activities totalled EUR 166, compared to EUR 304 in the first six months of 2019. In the first six months of 2020, the net increase of short- and long-term debt totalled EUR 265, whereas, in the same period of 2019, the net increase of short- and long-term debt totalled EUR 147. The Company paid dividends of EUR 381 and EUR 360 in the first six months of 2020 and the first six months of 2019, respectively. The Company purchased treasury shares for EUR 46 and EUR 87 in the first six months of 2020 and the first six months of 2019, respectively.

in millions, except share and per share information

Net debt

Net debt was EUR 519 as of 30 June 2020, compared to EUR 398 as of 31 December 2019. The increase in net debt reflected the usual seasonal trends and was impacted by the payment of the dividend in April 2020. At 30 June 2020, the ratio of net debt to EBITDA excluding one-offs was 0.6x, compared to 0.3x at 31 December 2019. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP.

in EUR	30 June 2020	31 December 2019
Net debt		
Short-term debt and current maturities of long-term debt	170	172
Long-term debt, less current maturities	1,847	1,577
Total debt	2,017	1,749
Less:		
Cash and cash equivalents	1,498	1,351
Short-term investments		
Net debt	519	398

HY 2020 segment performance

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

From a brand perspective, Workforce Solutions represented 74% of the Adecco Group revenues in the first six months of 2020, Professional Solutions represented 22% and Talent Solutions and Ventures represented 4%. In the first six months of 2020, revenues decreased in Workforce Solutions by 20%, in Professional Solutions by 15% and in Talent Solutions and Ventures by 4%.

France

In the first six months of 2020, revenues were EUR 1,917, down 29%. Revenues decreased by 30% in Workforce Solutions, which accounted for over 90% of revenues, while Professional Solutions were down 16%. As the country imposed the most stringent lockdown measures of any European country, the decline was broad-based across all sectors and particularly impacting manufacturing, automotive, construction and retail. Permanent placement revenues were down 25%. EBITA excluding one-offs was EUR 64 and the margin was 3.4%, down 250 bps, negatively impacted by the sharp decline in revenues.

North America, UK & Ireland General Staffing

Revenues in the first six months of 2020 were EUR 1,194 down 21%. North America General Staffing accounted for 74% of revenues and was down 21% due to the slowdown in manufacturing, compounded by COVID-19 disruption. UK & Ireland General Staffing represented 26% of revenues and was down 21%, impacted by COVID-19, and ongoing Brexit-related uncertainty. Permanent placement revenues decreased by 41% in North America General Staffing and declined by 43% in UK & Ireland General Staffing. EBITA excluding one-offs was EUR 19 with a margin of 1.6%, compared to a margin of 2.8% in the same period of 2019, with a positive gross margin development more than offset by the impact of the revenue decline.

North America, UK & Ireland Professional Staffing

Revenues were EUR 1,224 down 20%. North America Professional Staffing accounts for 63% of revenues and declined by 14%. UK & Ireland Professional Staffing represents 37% of revenues and was down 29%, impacted by the lockdown measures, compounded by the lower client demand ahead of the implementation of IR35 regulation to the private sector (originally planned for April and subsequently postponed). Permanent placement revenues decreased by 24% in North America Professional Staffing and decreased by 23% in UK & Ireland Professional Staffing. Overall EBITA excluding one-offs was EUR 30 with a margin of 2.5%, down 240 bps compared to the first six months of 2019, impacted by the declining revenues and the divestment of the Company's US healthcare operations from 1 January 2020.

Germany, Austria, Switzerland

Revenues in the first six months of 2020 were down 21% to EUR 762. In Germany & Austria, revenues were down 22%, driven by lower demand from clients in the automotive and manufacturing sectors. In Switzerland, revenues were down 19%. For the region, EBITA excluding one-offs was a loss of EUR 17, with a margin of -2.3%, a decrease of 290 bps. Profitability was significantly impacted by higher sickness rates and lower client demand linked to COVID-19, which has a material impact on profitability due to the operation of a bench model in Germany (all associates are permanent employees of Adecco Group).

Benelux & Nordics

In the first six months of 2020, revenues were EUR 699, a decrease of 25%. In the Nordics, revenues were down 26%. Revenues in Benelux were down 24%. In Benelux & Nordics, EBITA excluding one-offs was EUR 7, with a margin of 1.0%, down 190 bps compared to the prior year.

Italy

Revenues in the first six months of 2020 were EUR 806, down 15%. After a positive start to the year, revenues sharply declined from March, after the implementation of lockdown measures. Permanent placement was down 26%. EBITA was EUR 43. The EBITA margin was 5.4%, down 280 bps year-on-year, impacted by the revenue decline.

Japan

In the first six months of 2020, revenues were EUR 783, up 6%, with growth led by Modis and the Japanese market relatively unimpacted by COVID-19. Permanent placement revenues were down 4%. EBITA was EUR 62 and the EBITA margin was up 40 bps year-on-year at 7.9%, driven by business mix and productivity improvements.

Iberia

Revenues in the first six months of 2020 were down 12%, to EUR 457, declining after the implementation of the lockdown measures in March. EBITA was EUR 13 and the EBITA margin was down 210 bps year-on-year to 2.9%, driven by the declining revenues.

Rest of World

In the first six months of 2020, revenues declined by 4% to EUR 1,218. Revenue growth was 5% in Latin America. Revenues were down 24% in India, 10% in Australia & New Zealand, 6% in Asia, and 1% in Eastern Europe & MENA. For the region, the EBITA margin excluding one-offs was 3.7%, up 30 bps year-on-year. Since Q4 2019, the Company reports net income from its China joint venture, FESCO Adecco, within Rest of World EBITA (previously included in 'other income/(expenses), net'). This had a positive impact of EUR 14 in the first six months of 2020.

Career Transition & Talent Development

Revenues were flat at EUR 260. Both General Assembly and the talent development business of LHH were impacted from March by COVID-19 social-distancing measures that prevented most in-person training from taking place. Revenues were flat in Lee Hecht Harrison and declined by 2% in General Assembly. The EBITA margin excluding one-offs in the first six months of 2020 was 17.1%, compared to the 16.8% margin in the same period of 2019.

Outlook

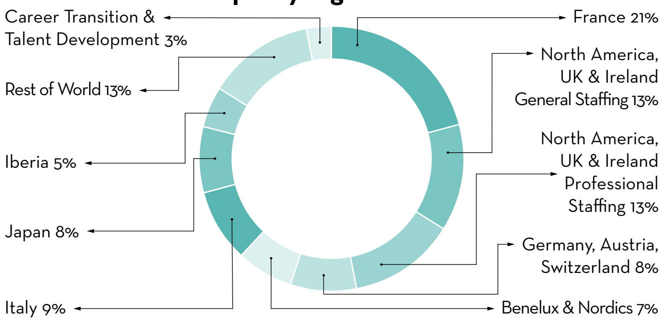
Revenues declined by 28% in Q2 2020, organically and trading days adjusted. The rate of revenue decline was greatest in April and improved as the quarter progressed, with June declining 26% organically and TDA year-on-year and July showing further gradual improvement.

The Company will continue to manage its cost base in an agile way, to protect profitability, while continuing to invest in its transformation and in areas of growth. Having achieved an organic recovery ratio of 44% in Q2 (reduction in SG&A as a percentage of gross profit decline), management anticipates a recovery ratio of approximately 40% in Q3 2020, as utilisation of government support schemes is reduced and headcount is increased to reflect higher activity levels post lockdowns.

While the economic environment remains uncertain, linked to COVID-19, the Company is well positioned, both financially and operationally, to capitalise on opportunities as the global economy recovers. The Company has continued to invest in and execute its Perform, Transform, Innovate strategy throughout the crisis, building on the momentum already established.

The Company has a strong balance sheet and significant liquidity headroom. Cash on hand was EUR 1,498 at the end of June and the Company's EUR 600 committed long-term revolving credit facility remains undrawn. None of the Company's financing is subject to any financial covenants. Additionally, the Company has remained profitable during the crisis and generates substantial free cash flow as revenues decline, as the level of working capital required to fund the business is reduced.

HY 2020 Revenue split by segment



in millions, except share and per share information

Revenues by segment and by brand

Revenues by segment

	Revenues		Variance				% of total revenues	
in EUR	**HY 2020**	HY 2019[2]	EUR	Constant currency	Organic	Organic TDA[1]	**HY 2020**	HY 2019
France	**1,917**	2,703	-29%	-29%	-29%	-30%	**21%**	23%
N. America, UK & I. General Staffing	**1,194**	1,484	-20%	-21%	-21%	-21%	**13%**	13%
N. America, UK & I. Professional Staffing	**1,224**	1,674	-27%	-28%	-20%	-21%	**13%**	15%
Germany, Austria, Switzerland	**762**	956	-20%	-21%	-21%	-22%	**8%**	8%
Benelux & Nordics	**699**	948	-26%	-25%	-25%	-25%	**7%**	8%
Italy	**806**	954	-15%	-15%	-15%	-15%	**9%**	8%
Japan	**783**	707	11%	6%	6%	7%	**8%**	6%
Iberia	**457**	550	-17%	-17%	-12%	-13%	**5%**	5%
Rest of World	**1,218**	1,334	-9%	-4%	-4%	-5%	**13%**	12%
Career Transition & Talent Development	**260**	258	1%	0%	0%	0%	**3%**	2%
Adecco Group	**9,320**	**11,568**	**-19%**	**-20%**	**-18%**	**-19%**	**100%**	**100%**

1 TDA = trading days adjusted.

2 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

Revenues by brand

	Revenues		Variance			% of total revenues	
in EUR	**HY 2020**	**HY 2019**	EUR	Constant currency	Organic	HY 2020	HY 2019
Adecco	6,898	8,620	-20%	-20%	-20%	74%	74%
Workforce Solutions	**6,898**	**8,620**	**-20%**	**-20%**	**-20%**	**74%**	**74%**
Modis	955	1,005	-5%	-6%	-6%	10%	8%
Badenoch + Clark / Spring Professional	642	778	-17%	-18%	-18%	7%	7%
Other Professional Brands	462	791	-42%	-42%	-27%	5%	7%
Professional Solutions	**2,059**	**2,574**	**-20%**	**-21%**	**-15%**	**22%**	**22%**
LHH	210	209	0%	0%	0%	2%	2%
Pontoon	89	89	1%	0%	0%	1%	1%
Ventures	64	76	-16%	-18%	-18%	1%	1%
Talent Solutions and Ventures	**363**	**374**	**-3%**	**-4%**	**-4%**	**4%**	**4%**
Adecco Group	**9,320**	**11,568**	**-19%**	**-20%**	**-18%**	**100%**	**100%**

in millions, except share and per share information

EBITA by segment

EBITA and EBITA margin excluding one-offs

in EUR	EBITA excluding one-offs HY 2020	EBITA excluding one-offs HY 2019[2]	EBITA margin excluding one-offs HY 2020	EBITA margin excluding one-offs HY 2019	EBITA margin excluding one-offs Variance	% of EBITA[1] HY 2020
France	**64**	161	**3.4%**	5.9%	(250)	20%
N. America, UK & I. General Staffing	**19**	42	**1.6%**	2.8%	(120)	6%
N. America, UK & I. Professional Staffing	**30**	83	**2.5%**	4.9%	(240)	10%
Germany, Austria, Switzerland	**(17)**	7	**-2.3%**	0.6%	(290)	-5%
Benelux & Nordics	**7**	27	**1.0%**	2.9%	(190)	2%
Italy	**43**	78	**5.4%**	8.2%	(280)	14%
Japan	**62**	53	**7.9%**	7.5%	40	20%
Iberia	**13**	27	**2.9%**	5.0%	(210)	4%
Rest of World	**46**	45	**3.7%**	3.4%	30	15%
Career Transition & Talent Development	**44**	43	**17.1%**	16.8%	30	14%
Corporate	**(82)**	(75)				
Adecco Group	**229**	**491**	**2.5%**	**4.2%**	**(170)**	**100%**

1 % of EBITA excluding one-offs and before Corporate.

2 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

EBITA and EBITA margin by segment

in EUR	EBITA HY 2020	EBITA HY 2019[1]	EBITA Variance % EUR	EBITA Variance % Constant currency	EBITA margin HY 2020	EBITA margin HY 2019	EBITA margin Variance bps EUR
France	**64**	159	-60%	-60%	**3.3%**	5.9%	(260)
N. America, UK & I. General Staffing	**12**	42	-73%	-73%	**0.9%**	2.8%	(190)
N. America, UK & I. Professional Staffing	**25**	79	-69%	-70%	**2.0%**	4.7%	(270)
Germany, Austria, Switzerland	**(34)**	(10)	226%	236%	**-4.4%**	-1.1%	(330)
Benelux & Nordics	**2**	27	-92%	-92%	**0.3%**	2.8%	(250)
Italy	**43**	78	-44%	-44%	**5.4%**	8.2%	(280)
Japan	**62**	53	17%	12%	**7.9%**	7.5%	40
Iberia	**13**	27	-51%	-51%	**2.9%**	5.0%	(210)
Rest of World	**44**	45	-3%	3%	**3.6%**	3.4%	20
Career Transition & Talent Development	**37**	38	-4%	-6%	**14.2%**	14.9%	(70)
Corporate	**(82)**	(76)	8%	2%			
Adecco Group	**186**	**462**	**-60%**	**-60%**	**2.0%**	**4.0%**	**(200)**

1 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

in millions, except share and per share information

Reconciliation of EBITA to EBITA excluding one-offs

	EBITA excluding one-offs		One-offs		EBITA	
in EUR	**HY 2020**	HY 2019[1]	HY 2020	HY 2019	**HY 2020**	HY 2019[1]
France	**64**	161	–	(2)	**64**	159
N. America, UK & I. General Staffing	**19**	42	(7)	–	**12**	42
N. America, UK & I. Professional Staffing	**30**	83	(5)	(4)	**25**	79
Germany, Austria, Switzerland	**(17)**	7	(17)	(17)	**(34)**	(10)
Benelux & Nordics	**7**	27	(5)	–	**2**	27
Italy	**43**	78	–	–	**43**	78
Japan	**62**	53	–	–	**62**	53
Iberia	**13**	27	–	–	**13**	27
Rest of World	**46**	45	(2)	–	**44**	45
Career Transition & Talent Development	**44**	43	(7)	(5)	**37**	38
Corporate	**(82)**	(75)	–	(1)	**(82)**	(76)
Adecco Group	**229**	**491**	**(43)**	**(29)**	**186**	**462**

1 N. America, UK & I. General Staffing and N. America, UK & I. Professional Staffing have been restated to conform with current period presentation.

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 5 August 2020 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;
- 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)	2020	2019
Statements of operations		
Revenues	**9,320**	11,568
Amortisation of intangible assets	**(42)**	(27)
Impairment of goodwill	**(362)**	
Operating income/(loss)	**(218)**	435
Net income/(loss) attributable to Adecco Group shareholders	**(327)**	292

As of (in EUR)	30.06.2020	31.12.2019
Balance sheets		
Cash and cash equivalents and short-term investments	**1,498**	1,351
Trade accounts receivable, net	**3,371**	4,310
Operating lease right-of-use assets	**463**	432
Goodwill	**2,449**	2,846
Total assets	**9,608**	10,571
Short-term debt and current maturities of long-term debt	**170**	172
Accounts payable and accrued expenses	**3,586**	4,106
Total operating lease liabilities	**489**	461
Long-term debt, less current maturities	**1,847**	1,577
Total liabilities	**6,471**	6,623
Total shareholders' equity	**3,137**	3,948

For the six months ended 30 June (in EUR)	2020	2019
Cash flows from operations		
Cash flows from operating activities	**411**	326
Cash used in investing activities	**(87)**	(97)
Cash used in financing activities	**(166)**	(304)
Other indicators		
Capital expenditures	**70**	78

As of	30.06.2020	31.12.2019
Other indicators		
Net debt (in EUR)[1]	**519**	398
Additional statistics		
Number of FTE employees at end of period (approximate)	**30,000**	35,000

1 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	30.06.2020	31.12.2019
Assets			
Current assets:			
• Cash and cash equivalents		**1,498**	1,351
• Trade accounts receivable, net		**3,371**	4,310
• Other current assets		**459**	282
Total current assets		**5,328**	5,943
Property, equipment, and leasehold improvements, net		**308**	318
Operating lease right-of-use assets		**463**	432
Equity method investments		**100**	83
Other assets		**668**	617
Intangible assets, net		**292**	332
Goodwill	3	**2,449**	2,846
Total assets		**9,608**	10,571
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses	4	**3,586**	4,106
• Current operating lease liabilities	4	**187**	196
• Short-term debt and current maturities of long-term debt	5	**170**	172
Total current liabilities		**3,943**	4,474
Operating lease liabilities	4	**302**	265
Long-term debt, less current maturities	5	**1,847**	1,577
Other liabilities		**379**	307
Total liabilities		**6,471**	6,623
Shareholders' equity			
Adecco Group shareholders' equity:			
• Common shares		**10**	10
• Additional paid-in capital		**574**	580
• Treasury shares, at cost	6	**(99)**	(66)
• Retained earnings		**2,921**	3,629
• Accumulated other comprehensive income/(loss), net	6	**(278)**	(213)
Total Adecco Group shareholders' equity		**3,128**	3,940
Noncontrolling interests		**9**	8
Total shareholders' equity		**3,137**	3,948
Total liabilities and shareholders' equity		**9,608**	10,571

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	2020	2019
Revenues	2, 13	**9,320**	11,568
Direct costs of services		**(7,540)**	(9,360)
Gross profit		**1,780**	2,208
Selling, general, and administrative expenses		**(1,608)**	(1,746)
Proportionate net income of equity method investment FESCO Adecco		**14**	
Amortisation of intangible assets		**(42)**	(27)
Impairment of goodwill	3	**(362)**	
Operating income/(loss)	13	**(218)**	435
Interest expense		**(15)**	(18)
Other income/(expenses), net	10	**(5)**	(4)
Income/(loss) before income taxes		**(238)**	413
Provision for income taxes	11	**(88)**	(121)
Net income/(loss)		**(326)**	292
Net income attributable to noncontrolling interests		**(1)**	
Net income/(loss) attributable to Adecco Group shareholders		**(327)**	292
Basic earnings/(loss) per share	12	**(2.02)**	1.80
Basic weighted-average shares	12	**161,723,131**	162,350,547
Diluted earnings/(loss) per share	12	**(2.01)**	1.80
Diluted weighted-average shares	12	**162,184,333**	162,640,853

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	2020	2019
Net income/(loss)		(326)	292
Other comprehensive income/(loss), net of tax:			
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2020: EUR 2, 2019: less than EUR (1))		(12)	
• Currency translation adjustment of net investment hedges (net of tax of, 2020: EUR (2), 2019: less than EUR 1)		17	(1)
• Currency translation adjustment excluding long-term intercompany loans and net investment hedges (net of tax of, 2020: less than EUR (1), 2019: less than EUR 1)		(54)	22
• Change in net actuarial gain/(loss) on pensions including currency translation adjustment (net of tax of, 2020: less than EUR (1), 2019: less than EUR (1))	7	1	
• Change in fair value of securities (net of tax of, 2020: less than EUR (1), 2019: less than EUR (1))			1
• Change in fair value of cash flow hedges (net of tax of, 2020: EUR 5, 2019: less than EUR 1)		(17)	
Total other comprehensive income/(loss)		(65)	22
Total comprehensive income/(loss)		(391)	314
Less comprehensive income attributable to noncontrolling interests		(1)	
Comprehensive income/(loss) attributable to Adecco Group shareholders		(392)	314

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)	2020	2019
Cash flows from operating activities		
Net income/(loss)	**(326)**	292
Adjustments to reconcile net income/(loss) to cash flows from operating activities:		
• Depreciation and amortisation	**103**	74
• Impairment of goodwill	**362**	
• Other charges	**67**	8
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
• Trade accounts receivable	**863**	(68)
• Accounts payable and accrued expenses	**(468)**	60
• Other assets and liabilities	**(190)**	(40)
Cash flows from operating activities	**411**	326
Cash flows from investing activities		
Capital expenditures	**(70)**	(78)
Cash settlements on derivative instruments	**2**	(15)
Other acquisition, divestiture and investing activities, net	**(19)**	(4)
Cash used in investing activities	**(87)**	(97)
Cash flows from financing activities		
Net increase in short-term debt	**6**	5
Borrowings of long-term debt, net of issuance costs	**259**	353
Repayment of long-term debt	**(2)**	
Buyback of long-term debt		(211)
Dividends paid to shareholders	**(381)**	(360)
Purchase of treasury shares	**(46)**	(87)
Other financing activities, net	**(2)**	(4)
Cash used in financing activities	**(166)**	(304)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(13)**	
Net increase/(decrease) in cash, cash equivalents and restricted cash	**145**	(75)
Cash, cash equivalents and restricted cash:		
• Beginning of year	**1,416**	718
• End of period	**1,561**	643

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)	2020	2019
Reconciliation of cash, cash equivalents and restricted cash at beginning of year:		
Current assets:		
• Cash and cash equivalents	1,351	652
• Restricted cash included in Other current assets	18	10
Non-current assets:		
• Restricted cash included in Other assets	47	56
Cash, cash equivalents and restricted cash at beginning of year:	1,416	718
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Current assets:		
• Cash and cash equivalents	1,498	576
• Restricted cash included in Other current assets	16	13
Non-current assets:		
• Restricted cash included in Other assets	47	54
Cash, cash equivalents and restricted cash at end of period	1,561	643
Supplemental disclosures of cash paid		
Cash paid for interest	7	6
Cash paid for income taxes	211	132

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
1 January 2020	**10**	**580**	**(66)**	**3,629**	**(213)**	**8**	**3,948**
Comprehensive income:							
Net loss				(327)		1	(326)
Other comprehensive income/(loss)					(65)		(65)
Total comprehensive loss							**(391)**
Stock-based compensation		7					7
Vesting of share awards		(13)	13				
Other treasury share transactions			(46)				(46)
Cash dividends, CHF 2.50 per share				(381)			(381)
30 June 2020	**10**	**574**	**(99)**	**2,921**	**(278)**	**9**	**3,137**

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
1 January 2019	**10**	**578**	**(141)**	**3,407**	**(273)**	**8**	**3,589**
Comprehensive income:							
Net income				292			292
Other comprehensive income/(loss)					22		22
Total comprehensive income							**314**
Stock-based compensation		7					7
Vesting of share awards		(11)	11				
Treasury shares purchased on second trading line			(61)				(61)
Other treasury share transactions			(15)				(15)
Cash dividends, CHF 2.50 per share				(363)			(363)
30 June 2019	**10**	**574**	**(206)**	**3,336**	**(251)**	**8**	**3,471**

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 2019 and for the year then ended.

Certain information and footnote disclosures included in the audited consolidated financial statements as of 31 December 2019 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 2019.

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. The results of these estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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 and funds set aside in connection with outstanding options and warrants arising from acquisitions.

CICE (tax credit for competitiveness and employment)

At the end of 2012, the French government introduced a tax relief programme known as CICE (tax credit for competitiveness and employment) for all companies operating in France. This provided employers with a tax credit on employee salaries up to 2.5 times the minimum wage with CICE earned creditable against current income tax payable in France with any remaining amount paid after three years from earning. For 2018, the rate of the tax credit was 6%. In 2019 CICE was replaced by social charge reductions.

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.

Nonlease components are separated from lease components for real estate lease contracts while there is no separation between lease and nonlease components for motor vehicle lease contracts. The Company considers consideration paid in relation to separated nonlease 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 16 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 nonlease 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 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, and initial direct costs 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.

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" (ASU 2016-13). 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.

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)	2020	2019
Temporary staffing	**7,909**	10,037
Permanent placement	**221**	297
Career transition	**184**	174
Other	**1,006**	1,060
Total revenues	**9,320**	11,568

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

Temporary staffing

Revenues related to temporary staffing 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. Temporary staffing contract durations can range from less than one month to multiple years but generally may be terminated earlier if appropriate notice is provided. Temporary staffing 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 temporary staffing services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

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: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; India; and Career Transition & Talent Development.

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: Italy, Benelux & Nordics; Eastern Europe, Middle East & North Africa; India; and Career Transition & Talent Development.

Other services

Revenues related to other services includes outsourcing, Managed Service Programmes (MSP), and Recruitment Process Outsourcing (RPO), and talent development. 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 other services in the following operating segments: France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India.

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.

Notes to consolidated financial statements continued

in millions, except share and per share information

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 temporary staffing 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 – Goodwill

The changes in the carrying amount of goodwill for the period ended 30 June 2020 and the year ended 31 December 2019 are as follows:

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Japan	Italy	Benelux & Nordics	Career Transition & Talent Development	Other	**Total**
Changes in goodwill										
1 January 2019	235	389	1,004	361	91	–	246	601	67	2,994
Additions				1				1		2
Allocation to disposals/deconsolidations			(216)							(216)
Currency translation adjustment		13	34		2			18	(1)	66
31 December 2019	235	402	822	362	93	–	246	620	66	2,846
Additions	4							2		6
Allocation to disposals/deconsolidations									(4)	(4)
Impairment charge				(362)						(362)
Currency translation adjustment		(7)	(13)		1		(7)	(11)		(37)
30 June 2020	239	395	809	–	94	–	239	611	62	2,449

As of 30 June 2020 and 31 December 2019, the gross goodwill amounted to EUR 3,996 and EUR 4,037, respectively.

As of 30 June 2020, accumulated impairment charges amounted to EUR 1,547 of which EUR 1,405 in Germany, Austria, Switzerland, EUR 81 in Australia & New Zealand, EUR 16 in N. America, UK & I. General Staffing, EUR 37 in N. America, UK & I. Professional Staffing, and EUR 8 in India, impacted by fluctuations in exchange rates.

As of 31 December 2019, accumulated impairment charges amounted to EUR 1,191 of which EUR 1,043 in Germany, Austria, Switzerland, EUR 82 in Australia & New Zealand, EUR 17 in N. America, UK & I. General Staffing, EUR 40 in N. America, UK & I. Professional Staffing, and EUR 9 in India, impacted by fluctuations in exchange rates.

Goodwill is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. The Company performed its last annual impairment test of goodwill in the fourth quarter of 2019, which comprised the calculation of the fair value of all of the Company's reporting units through discounted cash flow valuations and/or multiples analysis. This led to the conclusion that there was no indication of impairment.

In March 2020, the Company performed an interim goodwill impairment test based on management's revised five-year projections for sales and earnings and consequently recognised an impairment in Germany, Austria, Switzerland of EUR 362. The revision of management's five-year projections for sales and earnings was driven by the unprecedented degree of uncertainty related to COVID-19, compounding already challenging market dynamics in Germany.

In determining the fair value of the reporting units, the Company uses expected future revenue growth rates and profit margins, and for the long-term value a long-term growth rate of maximum 2.0%. For each reporting unit, projected cash flows are discounted to their net present values. Discount rates used during the Company's goodwill impairment tests in 2020 and 2019 ranged from 6.4% to 7.1%.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 4 – Restructuring

In 2020, the Company initiated several restructuring plans in response to the unprecedented economic impact created by the COVID-19 pandemic. Additionally, in 2017 the Company launched the Grow Together programme to strengthen the core of its business in order to accelerate profitable growth, improve client and candidate experience, and enhance productivity.

Total restructuring costs incurred by the Company in relation to both programmes amounted to EUR 40 in the first six months of 2020. Restructuring expenses are recorded in SG&A and mainly represent headcount reductions and branch optimisation. Given the dynamic nature of the COVID-19 pandemic, the amount of future restructuring expenses in connection with these programmes is currently uncertain.

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

in EUR	2020	Cumulative costs incurred to 30.06.2020
Restructuring costs		
France		10
N. America, UK & I. General Staffing	7	13
N. America, UK & I. Professional Staffing	4	18
Germany, Austria, Switzerland	17	60
Benelux & Nordics	5	13
Italy		1
Japan		
Career Transition & Talent Development	5	29
Other	2	12
Corporate		13
Total restructuring costs	**40**	**169**

The changes in restructuring liabilities for the period ended 30 June 2020 are as follows:

in EUR	Restructuring liabilities
1 January 2020	**38**
Restructuring costs	40
Cash payments	(27)
Write-off of fixed assets, impairment of operating lease right-of-use assets, and other	(7)
30 June 2020	**44**

As of 30 June 2020, restructuring liabilities in connection with these initiatives of EUR 44 were recorded in Accounts payable and accrued expenses. As of 30 June 2020, the remaining liability related to onerous leases of EUR 5 was recorded in Current operating lease liabilities and Operating lease liabilities.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 5 – Financing arrangements

Short-term debt

The Company's bank overdrafts and other short-term borrowings amounted to EUR 53 as of 30 June 2020, compared to EUR 56 as of 31 December 2019.

Long-term debt

The Company's long-term debt as of 30 June 2020 and 31 December 2019 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2020	31.12.2019
20-year guaranteed Japanese Yen fixed rate notes	JPY 7,000	2039	1.14%	**57**	57
15-year guaranteed Japanese Yen fixed rate notes	JPY 6,000	2033	1.05%	**49**	49
10.25-year guaranteed Norwegian Krone fixed rate notes	NOK 500	2030	2.65%	**46**	
10.5-year guaranteed Euro medium-term notes	EUR 300	2029	1.25%	**310**	302
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	**94**	92
5.5-year Swiss Franc fixed rate notes	CHF 225	2025	0.875%	**209**	
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	**505**	506
7-year guaranteed Euro medium-term notes	EUR 300	2022	1.5%	**301**	301
4-year guaranteed USD medium-term notes	USD 300	2021	2.625%	**274**	270
8-year Swiss Franc fixed rate notes	CHF 125	2020	2.625%	**117**	115
Other				**2**	1
				1,964	1,693
Less current maturities				**(117)**	(116)
Long-term debt, less current maturities				**1,847**	1,577

10.25-year guaranteed Norwegian Krone fixed rate notes due 2030

On 29 May 2020, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued NOK 500 fixed rate notes with a coupon of 2.65%, guaranteed by Adecco Group AG, due on 29 August 2030. The notes were issued within the framework of the Euro Medium-Term Programme and trade on the London Stock Exchange. The proceeds were used for general corporate purposes.

5.5-year Swiss Franc fixed rate notes due 2025

On 27 May 2020, Adecco Group AG issued CHF 225 fixed rate notes with a coupon of 0.875% due on 27 November 2025, but callable by the Company at par within three months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Programme and trade on the SIX Swiss Exchange. The proceeds were used for general corporate purposes.

Other credit facilities

Committed multicurrency revolving credit facility

The Company maintains a committed 5-year EUR 600 multicurrency revolving credit facility with two 1-year extension options, with a maturity date of April 2023. In March 2020, the second 1-year extension option was exercised, and the maturity date of the credit facility was extended to April 2025. The facility is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.225% and 0.55% per annum, depending on certain net debt-to-EBITDA ratios. The applicable margin levels set out above shall 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 2020 and 31 December 2019, 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

Authorised shares and appropriation of available earnings

As of 30 June 2020 and 31 December 2019, Adecco Group AG was authorised by its shareholders to issue up to 15,400,000 shares in connection with the issuance of financial instruments, principally convertible bonds. The shares represent conditional capital authorised without time limitation and remain available for share issuance upon conversion of financial instruments issued or to be issued in the future.

As of 30 June 2020 the Board of Directors is authorised, until 30 April 2021, to increase the share capital to a maximum of CHF 1 through the issuance of up to 8,167,200 shares with a nominal value of CHF 0.10 per share, as approved by the shareholders at the Annual General Meeting of Shareholders of Adecco Group AG held on 16 April 2019 (2019 AGM).

In the first six months of 2020 and the first six months of 2019 the number of treasury shares acquired on the regular trading line amounted to 1,215,000 and 319,583, respectively, and the net consideration paid amounted to EUR 46 and EUR 15, respectively.

During the six months ended 30 June 2020 and the six months ended 30 June 2019, the Company awarded 18,643 and 13,447 treasury shares, respectively, to the Board of Directors as part of their compensation packages. In addition, in the first six months of 2020 and the first six months of 2019, 237,671 and 191,168 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

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

- EUR 150 announced in March 2018 (completed in March 2019)
- EUR 600 announced in February 2020 (not yet commenced)

In the first six months of 2019 the number of treasury shares acquired under the share buyback programme amounted to 1,378,750 and the net consideration paid amounted to EUR 61.

At the Annual General Meeting of Shareholders of Adecco Group AG held on 16 April 2020 (2020 AGM), the shareholders approved the cancellation of 220,000 treasury shares acquired under the EUR 150 share buyback programme (completed in March 2019) and the corresponding reduction of Adecco Group AG's share capital by 220,000 registered shares with a nominal value of CHF 0.10 each. The cancellation of 220,000 treasury shares was completed on 6 July 2020. Effective 6 July 2020 the share capital of the Company amounts to CHF 16 divided into 163,124,177 shares.

At the 2020 AGM, the shareholders approved a dividend for a total of CHF 2.50 per share outstanding in respect of the fiscal year 2019. The dividend of EUR 381 was directly distributed to shareholders from voluntary retained earnings in April 2020.

Accumulated other comprehensive income/(loss), net

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

in EUR	**30.06.2020**	31.12.2019
Currency translation adjustment	**(178)**	(112)
Change in fair value of securities	**1**	1
Change in fair value of cash flow hedges	**(21)**	(4)
Currency translation adjustment of net investment hedges	**(22)**	(39)
Pension-related adjustments	**(58)**	(59)
Accumulated other comprehensive income/(loss), net	**(278)**	(213)

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 2020 and 2019, respectively. Additionally, an amount of EUR 3 (net of tax of less than EUR (1)) and EUR 1 (net of tax of EUR (1)) was reclassified from accumulated other comprehensive income/(loss), net to line items "Other income/(expenses), net" and "Interest expense" in the statement of operations in connection with cash flow hedging activities in the first six months of 2020 and 2019, respectively.

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 2020 and 30 June 2019, estimated net pension expense for the defined benefit plans are as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2020	2019	2020	2019
Components of pension expense				
Service cost	11	10	7	4
Interest cost		1	5	1
Expected return on plan assets	(4)	(3)	(5)	(1)
Amortisation of prior years' service costs				1
Amortisation of net (gain)/loss			1	1
Pension expense, net	7	8	8	6

All other components of net defined pension expense except service costs 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 limits the use of derivative instruments for trading and speculative purposes. Group management approves the hedging strategy and monitors the underlying market risks.

Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of 30 June 2020 and 31 December 2019:

	30.06.2020		31.12.2019	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current assets:				
• Cash and cash equivalents	1,498	1,498	1,351	1,351
• Trade accounts receivable, net	3,371	3,371	4,310	4,310
Current liabilities:				
• Accounts payable	707	707	829	829
• Short-term debt	53	53	56	56
• Current maturities of long-term debt	117	119	116	120
Non-current liabilities:				
• Long-term debt, less current maturities	1,847	1,893	1,577	1,642

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

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt: The carrying amount approximates the fair value given the short maturity of such instruments.
- Long-term debt, including current maturities: 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).

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 2020 and 31 December 2019:

in EUR	Consolidated balance sheet location	Notional amount 30.06.2020	Notional amount 31.12.2019	Fair value 30.06.2020	Fair value 31.12.2019
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	705	997	15	21
• Interest rate swap	Other assets	617	618	24	13
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	563	60	8	
• Cross-currency interest rate swaps	Other assets	49	49	11	3
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	193	198	(1)	(1)
• Interest rate swap	Other liabilities	211		(2)	
• Cross-currency interest rate swap	Other liabilities	153	107	(24)	(5)
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	376	439	(4)	(13)
• Cross-currency interest rate swaps	Other liabilities	262	337	(26)	(24)
Total net derivatives				1	(6)

In addition, as of 30 June 2020 and 31 December 2019, accrued interest receivable on interest rate swaps of EUR 6 and less than EUR 1, respectively, was recorded in other current assets. As of 30 June 2020, 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 2019, accrued interest receivable and payable on cross-currency interest rate swaps of less than EUR 1 and less than EUR (1) was recorded in other current assets and other accrued expenses, respectively.

The fair value of interest rate swaps and foreign currency contracts is calculated by using the present value of future cash flows based on observable market inputs. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments. The non-performance adjustment reflects the Credit Default Swap (CDS) applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of 30 June 2020 and 31 December 2019, the total impact of non-performance risk was an adjustment of less than EUR 1 and less than EUR 1, 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 2020 and 30 June 2019:

in EUR	Location of gain/(loss) in Consolidated statements of operations	30.06.2020 Recognised on derivatives	30.06.2020 Recognised on hedged item	30.06.2019 Recognised on derivatives	30.06.2019 Recognised on hedged item
Derivatives designated as fair value hedges					
• Interest rate swap	Interest expense	10	(9)	17	(16)

Notes to consolidated financial statements continued

in millions, except share and per share information

The Company recorded a gain of less than EUR 1 in the first six months of 2020 and 2019, 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 2020 or the first six months of 2019.

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 2020 and 31 December 2019:

	30.06.2020			31.12.2019		
In EUR	**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
Liabilities						
Non-current liabilities:						
• Long-term debt, less current maturities	**843**	**(18)**	**(10)**	623	(9)	(11)

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. Further, the Company entered into foreign currency contracts, that have been 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.

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 during which 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 2020 and 30 June 2019:

		30.06.2020		30.06.2019	
in EUR	Location of gain/(loss) in Consolidated statements of operations	**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
Derivatives designated as cash flow hedges					
• Foreign currency contracts	Other income/ (expenses), net	**(5)**	4	**2**	
• Cross-currency interest rate swap	Other income/ (expenses), net	**(20)**	(1)	**(4)**	2

The Company expects the reclassification of a gain of EUR 1 into earnings, reported in accumulated other comprehensive income/(loss), net, within the next 12 months.

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 forward contracts 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 2020 and 30 June 2019:

		30.06.2020		30.06.2019	
in EUR	Location of gain/(loss) in Consolidated statements of operations	**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
Derivatives designated as net investment hedges					
• Foreign currency contracts	Other income/ (expenses), net	**19**		**(1)**	

In the first six months of 2020 and 2019, losses of EUR 9 and EUR 3, respectively were excluded from the assessment of hedge effectiveness of the net investment hedges.

Other hedge activities

The Company has entered into certain derivative contracts that are not designated or do not qualify as hedges under ASC 815. Forward foreign currency contracts and cross-currency interest rate swaps are mainly used to hedge the net exposure of subsidiary funding advanced in the local operations' functional currency. Contracts are entered into in accordance with 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 2020 and 30 June 2019:

		Gain/(loss) on derivative recognised in earnings	
in EUR	Location of gain/(loss) in Consolidated statements of operations	**30.06.2020**	30.06.2019
Derivatives not designated as hedging instruments			
• Foreign currency contracts	Other income/ (expenses), net	**2**	(7)
• Cross-currency interest rate swap	Other income/ (expenses), net	**(3)**	(5)

Credit risk concentration

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash investments, short-term investments, trade accounts receivable, and derivative financial instruments. The Company places its cash and short-term investments in major financial institutions throughout the world, which management assesses to be of high credit quality, in order to limit the exposure of each investment.

Credit risk with respect to trade accounts receivable is dispersed due to the international nature of the business, the large number of customers, and the diversity of industries serviced. The Company's receivables are well diversified, and management performs credit evaluations of its customers and, where available and cost-effective, utilises credit insurance.

To minimise counterparty exposure on derivative instruments, the Company enters into derivative contracts with several large multinational banks and limits the exposure in combination with the short-term investments with each counterparty.

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 2020 and 31 December 2019, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
30 June 2020				
Assets				
Available-for-sale securities			8	**8**
Derivative assets		58		**58**
Liabilities				
Derivative liabilities		57		**57**
31 December 2019				
Assets				
Available-for-sale securities			6	6
Derivative assets		37		37
Liabilities				
Derivative liabilities		43		43

Note 10 – Other income/(expenses), net

For the first six months of 2020 and the first six months of 2019, Other income/(expenses), net, consist of the following:

in EUR	2020	2019
Foreign exchange gain/(loss), net	**(5)**	(4)
Interest income	**8**	7
Proportionate net income of equity method investments		10
Other non-operating income/(expenses), net	**(8)**	(17)
Total other income/(expenses), net	**(5)**	(4)

In 2019, Other non-operating income/(expenses), net, includes a EUR 10 loss related to the buyback of the outstanding 2022 Adecco International Financial Services BV notes.

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 2020 were provided at a rate of 41%, based on the Company's current estimate of the annual effective tax rate and excluding the impairment of goodwill, which is not tax deductible. For the first six months of 2019, the tax rate was 29%. The increase in the first six months of 2020 compared to 2019 is mainly due to the impact of the French Business Tax, which is a tax primarily based on sales but under US GAAP is recognised within Provision for income taxes in the statement of operations.

The income tax rate in the first six months of 2020 and in the first six months of 2019 includes the negative impact of EUR 1 and positive impact of EUR 14, respectively, from tax disputes, prior year adjustments, the expiration of the statute of limitations, and other discrete events.

As of 30 June 2020 the total amount of unrecognised tax benefits recorded decreased by EUR 10 compared to 31 December 2019 primarily due to the settlement of tax audits in several jurisdictions and fluctuations in foreign currency exchange rates, partially offset by current year additions. As of 30 June 2019 the total amount of unrecognised tax benefits recorded increased by EUR 12 compared to 31 December 2018 as a result of 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 2020 and 30 June 2019:

	2020		2019	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income/(loss) attributable to Adecco Group shareholders	(327)	(327)	292	292
Denominator				
Weighted-average shares	161,723,131	161,723,131	162,350,547	162,350,547
Incremental shares for assumed conversions:				
• Employee stock-based compensation		461,202		290,306
Total average equivalent shares	161,723,131	162,184,333	162,350,547	162,640,853
Per share amounts				
Net earnings/(loss) per share	(2.02)	(2.01)	1.80	1.80

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 13 – Segment reporting

The Company is organised in a geographical structure plus the global Career Transition & Talent Development business, which corresponds to the primary segments. This structure is complemented by secondary segment reporting (brands). The segments consist of France; North America, UK & Ireland General Staffing; North America, UK & Ireland Professional Staffing; Germany, Austria, Switzerland; Benelux & Nordics; Italy; Japan; Iberia; Career Transition & Talent Development; and the Rest of World segments that comprise Australia & New Zealand; Latin America; Eastern Europe, Middle East & North Africa; Asia; and India segments. Effective 1 January 2020, the Company updated its secondary segment reporting to better align with its go-to-market strategy and its global brand structure. The brand structure consists of: Workforce Solutions (comprising the Adecco brand); Professional Solutions (comprising Modis, Badenoch + Clark/Spring Professional, and Other Professional Brands); and Talent Solutions & Ventures (comprising LHH, Pontoon, and Ventures). This change has no impact on the Company's primary segment reporting.

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

Revenues derived from temporary staffing represented 85% for the first six months of 2020 and 87% for the first six months of 2019 of the Company's revenues. The remaining portion was derived from permanent placement, career transition, and other services.

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
Six months ended 30 June 2020											
Revenues	1,917	1,194	1,224	762	699	806	783	260	1,675		**9,320**
Operating income before amortisation of intangible assets and impairment of goodwill	64	12	25	(34)	2	43	62	37	57	(82)	**186**
Amortisation of intangible assets											**(42)**
Impairment of goodwill											**(362)**
Operating loss											**(218)**
Interest expense, and other income/(expenses), net											**(20)**
Provision for income taxes											**(88)**
Net loss											**(326)**

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
Six months ended 30 June 2019											
Revenues	2,703	1,484	1,674	956	948	954	707	258	1,884		11,568
Operating income before amortisation of intangible assets	159	42	79	(10)	27	78	53	38	72	(76)	462
Amortisation of intangible assets											(27)
Operating income											435
Interest expense, and other income/(expenses), net											(22)
Provision for income taxes											(121)
Net income											**292**

Notes to consolidated financial statements continued

in millions, except share and per share information

in EUR	France	N. America, UK & I. General Staffing	N. America, UK & I. Professional Staffing	Germany, Austria, Switzerland	Benelux and Nordics	Italy	Japan	Career Transition & Talent Development	Other	Corporate	Total
30 June 2020											
Segment assets	1,473	2,377	1,384	490	614	366	574	881	1,118	331	9,608
30 June 2019											
Segment assets	1,896	2,043	1,772	959	760	425	586	933	1,154	(257)	10,271

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

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Six months ended 30 June 2020	1,946	1,658	772	534	784	807	204	2,615	9,320
Six months ended 30 June 2019	2,736	2,113	1,030	676	708	955	238	3,112	11,568

in EUR	Adecco	Modis	Badenoch + Clark / Spring Professional	Other Professional Brands	LHH	Pontoon	Ventures	**Total**
Six months ended 30 June 2020	6,898	955	642	462	210	89	64	9,320
Six months ended 30 June 2019	8,620	1,005	778	791	209	89	76	11,568

Note 14 – Commitments and contingencies

Guarantees

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 891. The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

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

Note 15 – Subsequent events

At the Annual General Meeting of Shareholders of Adecco Group AG held on 16 April 2020 (2020 AGM), the shareholders approved the cancellation of 220,000 treasury shares acquired under the EUR 150 share buyback programme (completed in March 2019) and the corresponding reduction of Adecco Group AG's share capital by 220,000 registered shares with a nominal value of CHF 0.10 each. The cancellation of 220,000 treasury shares was completed on 6 July 2020. Effective 6 July 2020 the share capital of the Company amounts to CHF 16 divided into 163,124,177 shares.

The Company has evaluated subsequent events through 5 August 2020, the date the financial statements were available to be issued. No other significant events occurred subsequent to the balance sheet date but prior to 5 August 2020 that would have a material impact on the consolidated financial statements.

Non-US GAAP information and financial measures

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 temporary staffing services indicating current price levels.

Pay rate

An average hourly payroll rate including social charges for temporary staffing 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-cash 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.

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