Adecco Group – Consolidated balance sheets

in millions, except share and per share information

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

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

Adecco Group –
Consolidated statements of operations

in millions, except share and per share information

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

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

Adecco Group – Consolidated statements of comprehensive income

in millions, except share and per share information

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

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

Adecco Group –
Consolidated statements of cash flows

in millions, except share and per share information

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

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

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

Adecco Group –
Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

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

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

Adecco Group – Notes to consolidated financial statements

in millions, except share and per share information

Note 1 • The business and summary of significant accounting policies

Business

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

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

Basis of presentation

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

Reporting currency

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

Foreign currency translation

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

Principles of consolidation

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

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

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

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

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

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

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

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgements, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to allowance for doubtful accounts, accruals and provisions, impairment of goodwill and indefinite-lived intangible assets, contingencies, pension accruals, and income taxes. The Company bases its estimates on historical experience and on various other market specific assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Recognition of revenues

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

Revenues related to temporary staffing services are generally negotiated and invoiced on an hourly basis. Temporary associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Temporary staffing service revenues are recognised upon rendering the services.

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

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

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

The Company provides services in the normal course of business at arm's length terms to entities that are affiliated with certain of its officers, Board members, and significant shareholders through investment or board directorship.

Marketing costs

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

Cash equivalents and short-term investments

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

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

Trade accounts receivable

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

Property, equipment, and leasehold improvements

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

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

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

Goodwill is tested on a reporting unit level using a two-step impairment test. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. In step one of the goodwill impairment test, the carrying value of each reporting unit is compared to the reporting unit's fair value as determined using a combination of comparable market multiples, additional market information, and discounted cash flow valuation models. If the fair value of the reporting unit is lower than the carrying value of the reporting unit, step two is performed to measure the amount, if any, of impairment. In step two, the fair value of all assets and liabilities of the reporting unit is determined, as if the reporting unit had been acquired on a stand-alone basis. The fair value of the reporting unit's assets and liabilities is then compared to the fair value of the reporting unit, with the excess, if any, considered to be the implied goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds this implied goodwill value, that excess is recorded as an impairment charge in operating income.

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

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

Impairment of long-lived assets including definite-lived intangible assets
The Company evaluates long-lived assets, including intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10-35-15, "Impairment or Disposal of Long-Lived Assets" ("ASC 360-10-35-15"). The asset is regarded as not recoverable if the carrying amount exceeds the undiscounted future cash flows. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is calculated using a discounted cash flow model.

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

Income taxes

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

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

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

Earnings per share

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

Financial instruments

In accordance with ASC 815, "Derivatives and Hedging" ("ASC 815"), all derivative instruments are initially recognised at fair value as either other current assets, other assets, other accrued expenses, or other liabilities in the accompanying consolidated balance sheets regardless of the purpose or intent for holding the derivative instruments. The derivatives are subsequently remeasured to fair value at the end of each reporting period. For derivative instruments designated and qualifying as fair value hedges, changes in the fair value of the derivative instruments as well as the changes in the fair value of the hedged item attributable to the hedged risk are recognised within the same line item in earnings. Any cash flow impact on settlement of these contracts is classified within the consolidated statements of cash flows according to the nature of the hedged item. For derivative instruments designated and qualifying as cash flow hedges, the effective portion of the changes in the fair value of derivative instruments is initially recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The ineffective portion of the change in fair value of the derivative instruments is immediately recognised in earnings. The cash flow impact on settlement of these contracts is classified according to the nature of the hedged item. For derivative instruments designated and qualifying as net investment hedges, changes in the fair value of the derivative instruments are recorded as a component of accumulated other comprehensive income/(loss), net, in shareholders' equity to the extent they are considered effective. These gains or losses will remain in equity until the related net investment is sold or otherwise disposed. The cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

For derivative instruments that are not designated or that do not qualify as hedges under ASC 815, the changes in the fair value of the derivative instruments are recognised in other income/(expenses), net, within the consolidated statements of operations. Any cash flow impact on settlement of these contracts is classified as cash flows from investing activities.

Fair value measurement

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

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

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

New accounting guidance

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

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

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

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

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

Presentation and reclassifications

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

Other disclosures required by Swiss law

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

1 Restated.

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

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

in millions, except share and per share information

Note 2 • Acquisitions

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

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

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

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

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

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

Note 3 • Trade accounts receivable

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

Note 4 • Property, equipment, and leasehold improvements

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

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

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

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

1 Restated.

Note 5 • Goodwill and intangible assets

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

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

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

in millions, except share and per share information

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

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

In determining the fair value of the reporting units, the Company uses a detailed five-year plan for revenues and earnings and for the long-term value a long-term growth rate of 2.0% to 2.5% depending on the long-term growth prospects of the individual markets. For each reporting unit projected cash flows are discounted to their net present values. Discount rates used during the Company's goodwill impairment tests in 2012, 2011, and 2010 ranged from 6.1% to 14.0%.

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

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

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

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

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

Note 6 • Restructuring

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

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

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

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

in millions, except share and per share information

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

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

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

Note 7 • Financing arrangements

Short-term debt

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

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

Other short-term debt

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

Long-term debt

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

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

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

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

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

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

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

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

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

in millions, except share and per share information

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

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

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

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

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

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

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

Payments of long-term debt are due as follows:

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

Other credit facilities

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

Note 8 • Shareholders' equity

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

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

1 Shares at CHF 1 par value.

Authorised shares and appropriation of available earnings
As of December 31, 2012 and December 31, 2011, Adecco S.A. had 4,166,804 shares of conditional capital reserved for issuance of common shares to employees and members of the Board of Directors upon the exercise of stock options. In addition, as of December 31, 2012 and December 31, 2011, Adecco S.A. was authorised by its shareholders to issue up to 15,400,000 shares in connection with the issuance of financial instruments, principally convertible bonds. The shares represent conditional capital authorised without time limitation and remain available for share issuance upon conversion of financial instruments issued or to be issued in the future.

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

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

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

in millions, except share and per share information

The initial terms of these contracts were as follows:

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

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

Treasury shares

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

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

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

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

No dividends are distributed in relation to treasury shares.

Accumulated other comprehensive income/(loss), net

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

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

Note 9 • Stock-based compensation

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

Non-vested share award plans

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

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

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

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

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

TSR share awards

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

in millions, except share and per share information

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

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

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

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

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

RSU share awards

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

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

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

EPS share awards

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

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

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

in millions, except share and per share information

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

Guaranteed TSR and EPS share awards

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

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

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

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

Option plans

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

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

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

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

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

in millions, except share and per share information

Note 10 • Employee benefit plans

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

Defined contribution plans and other arrangements

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

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

in millions, except share and per share information

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

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

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

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

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

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

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

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

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

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

December 31, 2012

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

in millions, except share and per share information

December 31, 2011

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

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

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

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

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

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

Note 11 • Financial instruments

Risk and use of derivative instruments

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

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

Fair value of non-derivative financial instruments

The following table shows the carrying value and the fair value of non-derivative financial instruments as of December 31, 2012 and December 31, 2011:

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

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

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

in millions, except share and per share information

Fair value of derivative financial instruments

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

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

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

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

Fair value hedges

Interest rate swaps with a notional amount of EUR 150 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the 2013 notes for EUR 333 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of four to seven years and expire in 2013.

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

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

Interest rate swaps with a notional amount of EUR 50 that contain a receipt of fixed interest rate payments and payment of floating interest rate payments have been designated as fair value hedges of the 2018 notes for EUR 500 issued by Adecco International Financial Services BV. The outstanding contracts have an original contract period of six years and expire in 2018.

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

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

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

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

Cash flow hedges

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

Net investment hedges

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

Other hedge activities

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

in millions, except share and per share information

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

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

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

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

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

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

Note 12 • Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2012 and December 31, 2011, consistent with the fair value hierarchy provisions of ASC 820:

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

Note 13 • Other income/(expenses), net

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

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

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

Note 14 • Income taxes

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

in millions, except share and per share information

The provision for income taxes consists of the following:

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

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

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

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

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

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

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

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

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

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

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

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

in millions, except share and per share information

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

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

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

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

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

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

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

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

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

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

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

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

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

in millions, except share and per share information

Note 15 • Earnings per share

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

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

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

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

Note 16 • Segment reporting

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

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

Revenues derived from temporary staffing represented 90% in 2012, 91% in 2011, and 92% in 2010 of the Company's revenues. The remaining portion was derived from permanent placement, outsourcing, career transition (outplacement), and other services.

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

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

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

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

in millions, except share and per share information

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

Information by country is as follows:

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

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

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

Revenues by business line are as follows:

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

Note 17 • Commitments and contingencies

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

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

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

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

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

Guarantees

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

Contingencies

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

Note 18 • Risk management

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

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

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

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

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

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

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

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

Note 19 • Subsequent events

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