THE ADECCO GROUP

2021

HALF YEAR REPORT

Managing through the crisis and implementing our Future@Work strategy

Contents

"The Group had a robust start to 2021, showing continued resilience and sector-leading profitability. Despite the continuing Covid-19 pandemic, we returned to modest revenue growth in the first quarter, with further acceleration and continued positive momentum in the second quarter when revenues recovered to being just 5% below pre-crisis levels on an underlying basis. The Group's gross profit is now already broadly in line with pre-crisis levels. Our businesses continued to execute well. Positive mix development, pricing and cost discipline drove broad-based margin improvement. This is well aligned to the Group's drive to deliver sustainable, profitable growth through organic and inorganic actions. At the same time, the Group has begun to extend its investment in sales to drive growth. With our diversified portfolio of services we support our clients and candidates with the solutions they need to adapt to the future of work.

We have seen pockets of talent scarcity and wage inflation in our end-markets, particularly in technology solutions, and the pace of recovery in Permanent Placement in the second quarter is unprecedented. We are cautiously optimistic that all our service lines, including Flexible Placement, have scope to recover further in the quarters ahead.

Since launching our Future@Work strategy at the end of last year, we have made good progress. We successfully transitioned to a new organisation structure built around three Global Business Units – Adecco, Talent Solutions and Modis – and several key strategic initiatives are well underway. We are confident that with the implementation of our Future@Work strategy, including the digital transformation of our business, we will be optimally positioned to take market share.

The Group announced on 28 July 2021 the acquisition of AKKA Technologies. It intends to combine AKKA with Modis, creating the global #2 in the engineering R&D services market, with EUR 3.7 billion in revenues and 50,000 experts; a powerful platform to drive future Smart Industry leadership. This is a landmark transaction that accelerates the Group's Future@Work strategic implementation toward high-value, technology-led services. It will reinforce the strength of Adecco Group's solutions ecosystem and extend our ability to combine technology solutions with Workforce (Adecco) and Talent Solutions (LHH) as part of a truly unique service offering for our customers.

The Adecco Group and my colleagues can be proud of the effectiveness with which we are navigating the crisis; maintaining business continuity, securing the wellbeing and safety of our associates and clients, and ultimately helping individuals and the economies in which we operate get safely back to work. I would like to sincerely thank our colleagues, partners and associates around the world for their efforts and trust in us."

Alain Dehaze,
Group Chief Executive Officer

in millions, except share and per share information

Robust revenue recovery and leading profitability

Overview

During the first six months of 2021, the Company focused on capitalising the opportunities from the economic recovery in Europe and North America. Revenues increased by 14% both organically[1] and trading days adjusted, with 2% growth in Q1 2021 and 29% growth in Q2 2021, which also benefited from a Covid-impacted comparison base in the prior year.

Gross margin was 100 bps above the first half of 2020 on a reported basis. Organically the gross margin increased by 110 bps, with positive impacts from all service lines partially offset by career transition.

Selling, general, and administrative expenses (SG&A) excluding one-offs[2] increased 8% organically. As a percentage of revenues, SG&A excluding one-offs was 15.9%, compared to 16.8% a year ago, driven primarily by positive operating leverage. FTE employees increased 3% organically year-on-year; a result of adapting headcount to the revenue trends. The EBITA[3] margin excluding one-offs was 4.3%, an increase of 180 bps year-on-year on a reported basis.

Free cash flow[4] was EUR 173, compared to EUR 341 in the first six months of last year impacted by increasing working capital needs to support growing revenues. The Company paid EUR 47 for the purchase of treasury shares in the first six months of 2021 and distributed EUR 365 in dividends. Net debt[5] at 30 June 2021 was EUR 562, representing a ratio of 0.5x net debt to EBITDA[6] excluding one-offs.

Revenues increased by 30% in Q2 2021 organically, or 29% trading days adjusted. The rate of revenue increase was highest in April, the month benefiting the most from the easier comparison base in prior year, and moderated as the quarter progressed.

in EUR	HY 2021	HY 2020	Variance Reported	Variance Organic
Summary of income statement information				
Revenues	**10,234**	9,320	10%	14%
Gross profit	**2,055**	1,780	15%	20%
EBITA excluding one-offs[2]	**444**	229	94%	105%
EBITA	**429**	186	131%	146%
Net income/(loss) attributable to Adecco Group shareholders	**269**	(327)	n.m.	
Diluted EPS	**1.66**	(2.01)	n.m.	
Gross margin	**20.1%**	19.1%	100 bps	110 bps
EBITA margin excluding one-offs	**4.3%**	2.5%	180 bps	190 bps
EBITA margin	**4.2%**	2.0%	220 bps	230 bps
Summary of cash flow and net debt information				
Free cash flow before interest and tax paid (FCFBIT)	**277**	559		
Free cash flow (FCF)	**173**	341		
Net debt	**562**	519		
Days sales outstanding	**50**	54		
Cash conversion[7]	**64%**	145%		
Net debt to EBITDA excluding one-offs	**0.5x**	0.6x		

1 Organic growth is a non-US GAAP measure and excludes the impact of currency, acquisitions and divestitures.
2 In the first six months of 2021, SG&A included one-offs of EUR 15 in restructuring related costs.
3 EBITA is a non-US GAAP measure and refers to operating income before amortisation and impairment of goodwill and intangible assets.
4 Free cash flow is a non-US GAAP measure and comprises cash flows from operating activities less capital expenditures.
5 Net debt is a non-US GAAP measure and comprises short-term and long-term debt less cash and cash equivalents and short-term investments.
6 Net debt to EBITDA is a non–US GAAP measure and is calculated as net debt at period end divided by the last 4 quarters of EBITA excluding one-offs plus depreciation.
7 Cash conversion is a non-US GAAP measure and is calculated as the last 4 quarters of FCFBIT divided by the last 4 quarters of EBITA excluding one-offs.

in millions, except share and per share information

Group performance overview

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

Revenues

In the first six months of 2021, revenues of EUR 10,234 were up 10% year-on-year on a reported basis. Currency movements and divestments had a negative impact on revenues of approximately 3% and 1% respectively, while the number of working days impact was negligible. Revenue growth was therefore 14% on an organic and trading days adjusted basis.

By Global Business Unit (GBU): revenues in Adecco were up 16%, 10% in Talent Solutions and 4% in Modis, all compared to the prior year on an organic and trading days adjusted basis.

By service line: Flexible Placement revenues were up 13% year-on-year organically, at EUR 8,440; Permanent Placement revenues grew by 27% to EUR 268; revenues from Career Transition were EUR 174, down 1%; revenues in Training, Upskilling & Reskilling were up 50%, to EUR 163; and Outsourcing, Consulting & Other Services were EUR 1,189, up 12%.

Gross profit

Gross profit amounted to EUR 2,055 in the first six months of 2021, up 15% on a reported basis and up 20% organically. The gross margin was 20.1%, 100 bps above the first six months of 2020. Compared to the prior year, currency decreased gross margin by 20 bps, while acquisitions and divestments (primarily the divestment of Vendorpass) had a positive impact of 10 bps.

On an organic basis, the gross margin was up 110 bps. Flexible Placement increased gross margin by 100 bps, driven by positive pricing and mix development, lower bench costs and the positive impact from exiting lower-profitability contracts. Positive contributions from Permanent Placement (+20 bps) and other activities (+10 bps), were offset by a negative impact of 20 bps from Career Transition, all on an organic basis.

Gross margin drivers YoY

in basis points	HY 2021	HY 2020
Flexible Placement	100	(30)
Permanent Placement	20	(20)
Career Transition	(20)	50
Other	10	10
Organic	110	10
Acquisitions and divestments	10	(20)
Currency	(20)	10
Reported	100	0

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

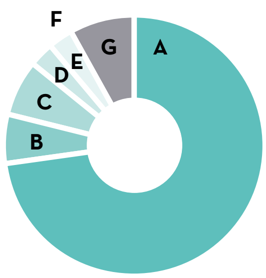
SG&A excluding one-offs was EUR 1,624 in the first six months of 2021, up 8% organically compared to the prior year. SG&A excluding one-offs as a percentage of revenues was 15.9%, compared to 16.8% a year ago. Reported SG&A was EUR 1,639. FTE employees increased by 3% organically year-on-year. Compared to the first six months of 2020, the branch network was down 6% organically.

In the first six months of 2021, one-off costs of EUR 15 were incurred. These comprised restructuring costs of: EUR 3 in Adecco France; EUR 5 in Adecco Northern Europe; EUR 1 in Adecco Americas; EUR 5 in Talent Solutions; and EUR 1 in Modis. In the first six months of 2020, one-offs were EUR 43, comprising restructuring costs of: EUR 1 in Adecco France; EUR 6 in Adecco Northern Europe; EUR 9 in Adecco DACH; EUR 7 in Adecco Americas; EUR 9 in Talent Solutions; EUR 8 in Modis; and acquisition-related costs of EUR 3 in Talent Solutions. Restructuring charges are a continuation of the response to the Covid-19 pandemic.

Compensation expenses were EUR 1,200 in the first six months of 2021, compared to EUR 1,125 in the same period of 2020, and represented 73% of total SG&A. Marketing expenses were EUR 45, compared to EUR 50 in the first six months of 2020. Bad debt expense was an income of EUR 3 in the first six months of 2021, compared to an expense of EUR 21 in the same period of 2020, linked to release of bad debt accruals.

SG&A breakdown

HY 2021



A – Compensation expenses – 73%

B – Premises expenses – 6%

C – Office & administrative expenses – 7%

D – Depreciation – 3%

E – Marketing – 3%

F – Bad debt expense – 0%

G – Other – 8%

in millions, except share and per share information

EBITA

EBITA excluding one-offs was EUR 444 in the first six months of 2021, up 94% on a reported basis year-on-year, and up 105% organically. The EBITA margin excluding one-offs was 4.3%, up 180 bps year-on-year on a reported basis and up 190 bps organically.

The EBITA conversion ratio excluding one-offs (EBITA excluding one-offs divided by gross profit) was 21.6% in the first six months of 2021 compared to 12.9% in the same period of 2020. One-offs amounted to EUR 15 in the first six months of 2021 and EUR 43 in the same period of 2020. EBITA was EUR 429 in the first six months of 2021 compared to EUR 186 in first six months of 2020, an increase of 131% reported and 146% organically. The EBITA margin was 4.2% in the first six months of 2021 and 2.0% in the same period of 2020.

Amortisation of intangible assets and Impairment of goodwill

Amortisation of intangible assets was EUR 36 compared to EUR 42 in the first six months of 2020. In the first six months of 2021, the Company did not recognise any impairment for goodwill, whereas in Q1 2020 Adecco recognised EUR 362, relating to the Adecco DACH reporting segment. The impairment was driven by the unprecedented degree of forecast uncertainty relating to Covid-19, compounding already challenging market dynamics in Germany.

Operating income/(loss)

Operating income was EUR 393 in the first six months of 2021. In the first six months of 2020, the company had an operating loss of EUR 218 driven by the EUR 362 impairment of goodwill.

Interest expense and other income/(expenses), net

Interest expense was EUR 13 in the first six months of 2021 compared to EUR 15 in the first six months of 2020. Other income/(expenses), net includes interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net. In the first six months of 2021, other income/(expenses), net amounted to an expense of EUR 1, compared to an expense of EUR 5 in the same period of 2020.

Provision for income taxes

Provision for income taxes was EUR 109 in the first six months of 2021 compared to EUR 88 in the first six months of 2020. The effective tax rate is impacted by recurring items, such as tax rates in the different jurisdictions where the Company operates, and the income mix within jurisdictions. It is also affected by discrete items which may occur in any given year, but are not consistent from year to year. In the first six months of 2021, the effective tax rate was 29% with only minimal impact from discrete events. In the first six months of 2020, the effective tax rate excluding the impairment of goodwill, which is not tax deductible, was 41% and included a negative impact of 1% from discrete events.

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

Net income attributable to Adecco Group shareholders was EUR 269 in the first six months of 2021, compared to a loss of EUR 327 in the same period of 2020, driven by the goodwill impairment of EUR 362. Basic earnings per share was EUR 1.67 in the first six months of 2021 compared to basic loss per share of EUR 2.02 in the first six months of 2020.

Cash flow statement and net debt

Analysis of cash flow statements

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

in EUR	HY 2021	HY 2020
Summary of cash flow information		
Cash flows from operating activities	**226**	411
Cash used in investing activities	**(54)**	(87)
Cash used in financing activities	**(416)**	(166)

Cash flows from operating activities decreased to EUR 226 in the first six months of 2021 from EUR 411 in the same period of 2020 with the decrease due to increased working capital, reflecting a higher level of business activity. DSO was 50 days for the first six months of 2021 and 54 days in the first six months of 2020.

Cash used in investing activities totalled EUR 54 compared to EUR 87 in the first six months of 2020. Capital expenditures amounted to EUR 53 in the first six months of 2021 and EUR 70 in the same period of 2020.

Cash used in financing activities totalled EUR 416, compared to EUR 166 in the first six months of 2020. In the first six months of 2021, the net decrease of short- and long-term debt totalled EUR 4, whereas, in the same period of 2020, the net increase of short- and long-term debt totalled EUR 263. The Company paid dividends of EUR 365 and EUR 381 in the first six months of 2021 and the first six months of 2020, respectively. The Company purchased treasury shares for EUR 47 and EUR 46 in the first six months of 2021 and the first six months of 2020, respectively.

Net debt

Net debt was EUR 562 as of 30 June 2021, compared to EUR 376 as of 31 December 2020. The increase in net debt reflected the usual seasonal trends and was impacted by the payment of the dividend in April 2021. At 30 June 2021, the ratio of net debt to EBITDA excluding one-offs was 0.5x, compared to 0.4x at 31 December 2020. The following table presents the calculation of net debt based upon financial measures in accordance with US GAAP.

in EUR	30 June 2021	31 December 2020
Net debt		
Short-term debt and current maturities of long-term debt	**297**	294
Long-term debt, less current maturities	**1,550**	1,567
Total debt	**1,847**	1,861
Less:		
Cash and cash equivalents	**1,285**	1,485
Short-term investments		
Net debt	**562**	376

HY 2021 segment performance

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

From a Global Business Unit perspective, revenues in Adecco were up 16%, in Talent Solutions were up 10% and in Modis were up 3%. By service line: Flexible Placement revenues were up 13% to EUR 8,440; Permanent Placement revenues were up 27%, to EUR 268; revenues from Career Transition were EUR 174, down 1%; revenues in Training, Upskilling & Reskilling were up 50%, to EUR 163, and Outsourcing, Consulting & Other Services were EUR 1,189, up 12%.

Adecco

In Adecco, total revenues were EUR 8,271, up 16%. Growth was driven by France and Southern Europe & EEMENA, with all other regions growing year-on-year. EBITA excluding one-offs was EUR 377 with a margin of 4.6% up 200 bps year-on-year. Further details by region can be found below.

Adecco France

Revenues were EUR 2,229, up 24% when compared to the prior year. Growth in logistics and transportation, manufacturing and construction was partly offset by challenges in automotive and hospitality. EBITA excluding one-offs was EUR 117 with a margin of 5.3%, up 210 bps year-on-year. Good progress on increasing the proportion of revenues from higher-margin solutions (e.g. outsourcing, training), was partly offset by increased employee profit sharing linked to regulatory changes and increased investment in sales and digital.

Adecco Northern Europe

Revenues in the first six months of 2021 were EUR 1,286, up 9% when compared to prior year. Revenue performance varied across the region. UK & Ireland grew by 13%, driven by strength in logistics and e-commerce. Revenues in Benelux increased by 3%, and the Nordics increased by 8%. Overall EBITA excluding one-offs was EUR 36, with a margin of 2.8%, up 210 bps versus the prior year. Margin improvement was driven by client mix, and strong cost discipline, partly offset by less support from Covid employment support schemes.

Adecco DACH

Revenues were EUR 705, up 14% year-on-year. Germany grew by 18%, while revenues in Switzerland & Austria increased by 4%. Growth was driven by the automotive, manufacturing and healthcare sectors. Overall EBITA excluding one-offs was EUR 17 with a margin of 2.4%, up 550 bps year-on-year. The improvement was driven by lower bench costs, improved mix and the benefits from 2020's restructuring.

Adecco Southern Europe & EEMENA

Revenues were EUR 1,894, up 25%. Revenues in Italy were up 37%, Iberia was up 15% and EEMENA grew by 10%. Growth was driven by higher demand from logistics, automotive and manufacturing clients. For the region, EBITA excluding one-offs was EUR 109, with a margin of 5.7%, up 150 bps year-on-year driven by better mix from successful diversification (e.g. outsourcing, training), pricing and strong productivity gains.

Adecco Americas

Revenues were up 8% year-on-year to EUR 1,225. Strong growth in Latin America, up 32%, was offset by declines in North America, down 2%. The recovery in North America was held back by lower exposure to the more dynamic areas of the economy, such as logistics and transportation, reduced demand in automotive and lowered workforce availability. Measures to improve US performance are underway. The business is implementing an omni-channel operating model with central hubs, or Talent Factories, and digital channels, as well as refocusing its sales force on higher growth sectors. Overall EBITA excluding one-offs was EUR 40, with a margin of 3.2%, compared to 1.8% in H1 2020, driven by higher volumes, improved business mix and Covid employment support schemes.

Adecco APAC

Revenues were EUR 932, up 3%. Revenue growth remained solid in Japan, up 6%, and Australia & New Zealand, up 8%. Asia increased by 3%. India declined by 23%, linked to the exit of certain lower-margin activities in 2020. EBITA excluding one-offs was EUR 58 and the margin was 6.2%, up 20 bps year-on-year, supported by growth in higher-margin outsourcing activities.

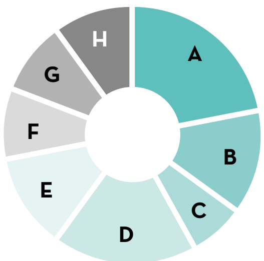
Talent Solutions

In the first six months of 2021, revenues were EUR 902, up 10% year-on-year. LHH grew organically by 5%, reflecting weak activity in counter-cyclical Career Transition, related to an improved economic outlook, although Talent Development grew well. General Assembly was up 4% organically, driven by strong demand in B2B. US Professional Recruitment revenues were up 17% compared to the prior year, with improving momentum, particularly in Permanent Placement. Global Professional Recruitment revenues were up 10%. Pontoon increased by 2%, led by growth in MSP and RXO. EBITA excluding one-offs was EUR 83 and the EBITA margin was 9.2%, up 180 bps year-on-year driven by the rebound of the professional recruitment activities and improved pricing/business mix and productivity, which were partly offset by investments in digital capabilities.

Modis

Revenues were EUR 1,061, up 3%. Modis was more resilient than other GBUs during the early part of the Covid-19 crisis and hence did benefit less from Covid-impacted year-on-year comparables. Revenues grew by 5% in the Americas, 1% in EMEA and 4% in APAC. Technology Consulting activities continued to grow, up 8% year-on-year, and Tech Talent Services were down 3%. Overall, EBITA excluding one-offs was EUR 66, with a margin of 6.2%, up 110 bps compared to last year reflecting positive operating leverage and improved business mix and bench utilisation.

HY 2021 revenue split by segment



- **A** – Adecco France – 22%
- **B** – Adecco Northern Europe – 13%
- **C** – Adecco DACH – 7%
- **D** – Adecco Southern Europe & EEMENA – 18%
- **E** – Adecco Americas – 12%
- **F** – Adecco APAC – 9%
- **G** – Talent Solutions – 9%
- **H** – Modis – 10%

Outlook

Revenues were up 29% in Q2, supported by the prior year comparison base. Revenues in the second quarter improved sequentially, reflecting the easing of Covid-related restrictions. The Company expects trading conditions to further improve gradually in the third quarter, with strong year-on-year revenue development, assuming limited impacts from the Delta variant as vaccination campaigns continue.

The Company aims to achieve a drop-down ratio (DDR) of approximately 50% (conversion of incremental gross profit into incremental EBITA) for the full year 2021.

in millions, except share and per share information

Revenues by segment and by service line

Revenues by segment

in EUR	Revenues		Variance				% of total revenues	
	HY 2021	HY 2020	EUR	Constant currency	Organic	Organic TDA	HY 2021	HY 2020
Adecco France	**2,229**	1,791	24%	24%	24%	25%	**22%**	19%
Adecco Northern Europe	**1,286**	1,180	9%	9%	9%	9%	**13%**	13%
Adecco DACH	**705**	625	13%	14%	14%	14%	**7%**	7%
Adecco Southern Europe & EEMENA	**1,894**	1,530	24%	25%	25%	25%	**18%**	17%
Adecco Americas	**1,225**	1,242	-1%	8%	8%	8%	**12%**	13%
Adecco APAC	**932**	959	-3%	3%	3%	2%	**9%**	10%
Adecco	**8,271**	**7,327**	**13%**	**16%**	**16%**	**16%**	**81%**	**79%**
Talent Solutions	**902**	**865**	**4%**	**10%**	**10%**	**10%**	**9%**	**9%**
Modis	**1,061**	**1,128**	**-6%**	**-2%**	**3%**	**4%**	**10%**	**12%**
Adecco Group	**10,234**	**9,320**	**10%**	**13%**	**14%**	**14%**	**100%**	**100%**

Revenues by service line

in EUR	Revenues		Variance			% of total revenues	
	HY 2021	HY 2020[1]	EUR	Constant currency	Organic	HY 2021	HY 2020
Flexible Placement	**8,440**	7,695	10%	13%	13%	**82%**	83%
Permanent Placement	**268**	221	21%	26%	27%	**3%**	2%
Career Transition	**174**	184	-5%	0%	-1%	**2%**	2%
Outsourcing, Consulting & Other Services	**1,189**	1,106	8%	12%	12%	**12%**	12%
Training, Upskilling & Reskilling	**163**	114	44%	50%	50%	**1%**	1%
Adecco Group	**10,234**	**9,320**	**10%**	**13%**	**14%**	**100%**	**100%**

1 2020 Flexible Placement and Outsourcing, Consulting & Other have been restated to conform with current period presentation.

in millions, except share and per share information

EBITA by segment

EBITA and EBITA margin excluding one-offs

	EBITA excluding one-offs		EBITA margin excluding one-offs			% of EBITA[1]
in EUR	HY 2021	HY 2020	HY 2021	HY 2020	Variance in bps	HY 2021
Adecco France	117	58	5.3%	3.2%	210	22%
Adecco Northern Europe	36	7	2.8%	0.7%	210	7%
Adecco DACH	17	(19)	2.4%	-3.1%	550	3%
Adecco Southern Europe & EEMENA	109	63	5.7%	4.2%	150	21%
Adecco Americas	40	22	3.2%	1.8%	140	8%
Adecco APAC	58	58	6.2%	6.0%	20	11%
Adecco	**377**	**189**	**4.6%**	**2.6%**	**200**	**72%**
Talent Solutions	**83**	**64**	**9.2%**	**7.4%**	**180**	**16%**
Modis	**66**	**58**	**6.2%**	**5.1%**	**110**	**12%**
Corporate	**(82)**	**(82)**				
Adecco Group	**444**	**229**	**4.3%**	**2.5%**	**180**	**100%**

1 % of EBITA excluding one-offs before Corporate

EBITA and EBITA margin by segment

	EBITA				EBITA margin		
			Variance %				
in EUR	HY 2021	HY 2020	EUR	Constant currency	HY 2021	HY 2020	Variance in bps
Adecco France	114	57	100%	100%	5.1%	3.2%	190
Adecco Northern Europe	31	1	n.m.	n.m.	2.4%	0.0%	240
Adecco DACH	17	(28)	n.m.	n.m.	2.4%	-4.5%	690
Adecco Southern Europe & EEMENA	109	63	71%	73%	5.7%	4.2%	150
Adecco Americas	39	15	153%	183%	3.2%	1.2%	200
Adecco APAC	58	58	0%	8%	6.2%	6.0%	20
Adecco	**368**	**166**	**122%**	**131%**	**4.4%**	**2.3%**	**210**
Talent Solutions	**78**	**52**	**50%**	**63%**	**8.6%**	**6.0%**	**260**
Modis	**65**	**50**	**31%**	**40%**	**6.1%**	**4.4%**	**170**
Corporate	**(82)**	**(82)**	**0%**	**0%**			
Adecco Group	**429**	**186**	**131%**	**147%**	**4.2%**	**2.0%**	**220**

in millions, except share and per share information

Reconciliation of EBITA to EBITA excluding one-offs

	EBITA excluding one-offs		One-offs		EBITA	
in EUR	HY 2021	HY 2020	HY 2021	HY 2020	HY 2021	HY 2020
Adecco France	117	58	(3)	(1)	114	57
Adecco Northern Europe	36	7	(5)	(6)	31	1
Adecco DACH	17	(19)	–	(9)	17	(28)
Adecco Southern Europe & EEMENA	109	63	–	–	109	63
Adecco Americas	40	22	(1)	(7)	39	15
Adecco APAC	58	58	–	–	58	58
Adecco	377	189	(9)	(23)	368	166
Talent Solutions	83	64	(5)	(12)	78	52
Modis	66	58	(1)	(8)	65	50
Corporate	(82)	(82)	–	–	(82)	(82)
Adecco Group	444	229	(15)	(43)	429	186

Forward-looking statements

Information in this Half Year Report may involve guidance, expectations, beliefs, plans, intention or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Half Year Report are based on information available to the Company as of 4 August 2021 and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Half Year Report are not guarantees of future performance, and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

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

Selected financial information

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2021	2020
Statements of operations		
Revenues	10,234	9,320
Amortisation of intangible assets	(36)	(42)
Impairment of goodwill		(362)
Operating income/(loss)	393	(218)
Net income/(loss) attributable to Adecco Group shareholders	269	(327)

As of (in EUR)	30.06.2021	31.12.2020
Balance sheets		
Cash and cash equivalents and short-term investments	1,285	1,485
Trade accounts receivable, net	3,963	3,870
Operating lease right-of-use assets	365	395
Goodwill	2,389	2,339
Total assets	9,732	9,792
Short-term debt and current maturities of long-term debt	297	294
Accounts payable and accrued expenses	4,038	3,990
Total operating lease liabilities	399	429
Long-term debt, less current maturities	1,550	1,567
Total liabilities	6,593	6,574
Total shareholders' equity	3,139	3,218

For the six months ended 30 June (in EUR)	2021	2020
Cash flows from operations		
Cash flows from operating activities	226	411
Cash used in investing activities	(54)	(87)
Cash used in financing activities	(416)	(166)
Other indicators		
Capital expenditures	53	70

As of	30.06.2021	31.12.2020
Other indicators		
Net debt (in EUR)[1]	562	376
Additional statistics		
Number of FTE employees at end of period (approximate)	31,000	30,000

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

Consolidated balance sheets

in millions, except share and per share information

As of (in EUR)	Note	30.06.2021	31.12.2020
Assets			
Current assets:			
• Cash and cash equivalents		**1,285**	1,485
• Trade accounts receivable, net		**3,963**	3,870
• Other current assets		**412**	399
Total current assets		**5,660**	5,754
Property, equipment, and leasehold improvements, net		**298**	305
Operating lease right-of-use assets		**365**	395
Equity method investments		**127**	109
Other assets		**684**	645
Intangible assets, net		**209**	245
Goodwill		**2,389**	2,339
Total assets		**9,732**	9,792
Liabilities and shareholders' equity			
Liabilities			
Current liabilities:			
• Accounts payable and accrued expenses	3	**4,038**	3,990
• Current operating lease liabilities	3	**167**	178
• Short-term debt and current maturities of long-term debt	4	**297**	294
Total current liabilities		**4,502**	4,462
Operating lease liabilities	3	**232**	251
Long-term debt, less current maturities	4	**1,550**	1,567
Other liabilities		**309**	294
Total liabilities		**6,593**	6,574
Shareholders' equity			
Adecco Group shareholders' equity:			
• Common shares		**10**	10
• Additional paid-in capital		**573**	582
• Treasury shares, at cost	5	**(123)**	(89)
• Retained earnings		**3,044**	3,139
• Accumulated other comprehensive income/(loss), net	5	**(375)**	(433)
Total Adecco Group shareholders' equity		**3,129**	3,209
Noncontrolling interests		**10**	9
Total shareholders' equity		**3,139**	3,218
Total liabilities and shareholders' equity		**9,732**	9,792

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

Consolidated statements of operations

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2021	2020
Revenues	2, 12	10,234	9,320
Direct costs of services		(8,179)	(7,540)
Gross profit		2,055	1,780
Selling, general, and administrative expenses		(1,639)	(1,608)
Proportionate net income of equity method investment FESCO Adecco		13	14
Amortisation of intangible assets		(36)	(42)
Impairment of goodwill			(362)
Operating income/(loss)	12	393	(218)
Interest expense		(13)	(15)
Other income/(expenses), net	9	(1)	(5)
Income/(loss) before income taxes		379	(238)
Provision for income taxes	10	(109)	(88)
Net income/(loss)		270	(326)
Net income attributable to noncontrolling interests		(1)	(1)
Net income/(loss) attributable to Adecco Group shareholders		269	(327)
Basic earnings/(loss) per share	11	1.67	(2.02)
Basic weighted-average shares	11	161,150,966	161,723,131
Diluted earnings/(loss) per share	11	1.66	(2.01)
Diluted weighted-average shares	11	161,878,038	162,184,333

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

Consolidated statements of comprehensive income

in millions, except share and per share information

For the six months ended 30 June (in EUR)	Note	2021	2020
Net income/(loss)		270	(326)
Other comprehensive income/(loss), net of tax:			
• Currency translation adjustment of long-term intercompany loans (net of tax of, 2021: EUR (1), 2020: EUR 2)		10	(12)
• Currency translation adjustment of net investment hedges (net of tax of, 2021: EUR 2, 2020: EUR (2))		(21)	17
• Currency translation adjustment excluding long-term intercompany loans and net investment hedges (net of tax of, 2021: less than EUR (1), 2020: less than EUR (1))		65	(54)
• Change in net actuarial gain/(loss) on pensions including currency translation adjustment (net of tax of, 2021: less than EUR (1), 2020: less than EUR (1))	6	1	1
• Change in fair value of securities (net of tax of, 2021: less than EUR (1), 2020: less than EUR (1))		1	
• Change in fair value of cash flow hedges (net of tax of, 2021: EUR (1), 2020: EUR 5)		2	(17)
Total other comprehensive income/(loss)		58	(65)
Total comprehensive income/(loss)		328	(391)
Less comprehensive income/(loss) attributable to noncontrolling interests		(1)	(1)
Comprehensive income/(loss) attributable to Adecco Group shareholders		327	(392)

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

Consolidated statements of cash flows

in millions, except share and per share information

For the six months ended 30 June (in EUR)	2021	2020
Cash flows from operating activities		
Net income/(loss)	**270**	(326)
Adjustments to reconcile net income/(loss) to cash flows from operating activities:		
• Depreciation and amortisation	**93**	103
• Impairment of goodwill		362
• Other charges	**(15)**	67
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
• Trade accounts receivable	**(88)**	863
• Accounts payable and accrued expenses	**34**	(468)
• Other assets and liabilities	**(68)**	(190)
Cash flows from operating activities	**226**	411
Cash flows from investing activities		
Capital expenditures	**(53)**	(70)
Cash settlements on derivative instruments	**2**	2
Other acquisition, divestiture and investing activities, net	**(3)**	(19)
Cash used in investing activities	**(54)**	(87)
Cash flows from financing activities		
Net increase/(decrease) in short-term debt	**(4)**	6
Borrowings of long-term debt, net of issuance costs		259
Repayment of long-term debt		(2)
Dividends paid to shareholders	**(365)**	(381)
Purchase of treasury shares	**(47)**	(46)
Other financing activities, net		(2)
Cash used in financing activities	**(416)**	(166)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**27**	(13)
Net increase/(decrease) in cash, cash equivalents and restricted cash	**(217)**	145
Cash, cash equivalents and restricted cash:		
• Beginning of year	**1,568**	1,416
• End of period	**1,351**	1,561

Consolidated statements of cash flows continued

in millions, except share and per share information

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

For the six months ended 30 June (in EUR)	2021	2020
Reconciliation of cash, cash equivalents and restricted cash at beginning of year:		
Current assets:		
• Cash and cash equivalents	1,485	1,351
• Restricted cash included in Other current assets	42	18
Non-current assets:		
• Restricted cash included in Other assets	41	47
Cash, cash equivalents and restricted cash at beginning of year:	1,568	1,416
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Current assets:		
• Cash and cash equivalents	1,285	1,498
• Restricted cash included in Other current assets	28	16
Non-current assets:		
• Restricted cash included in Other assets	38	47
Cash, cash equivalents and restricted cash at end of period	1,351	1,561
Supplemental disclosures of cash paid		
Cash paid for interest	5	7
Cash paid for income taxes	99	211

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

Consolidated statements of changes in shareholders' equity

in millions, except share and per share information

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

in EUR	Common shares	Additional paid-in capital	Treasury shares, at cost	Retained earnings	Accumulated other comprehensive income/(loss), net	Noncontrolling interests	Total shareholders' equity
1 January 2020	**10**	**580**	**(66)**	**3,629**	**(213)**	**8**	**3,948**
Comprehensive income:							
Net loss				(327)		1	(326)
Other comprehensive income/(loss)					(65)		(65)
Total comprehensive loss							**(391)**
Stock-based compensation		7					7
Vesting of share awards		(13)	13				
Other treasury share transactions			(46)				(46)
Cash dividends, CHF 2.50 per share				(381)			(381)
30 June 2020	**10**	**574**	**(99)**	**2,921**	**(278)**	**9**	**3,137**

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

Notes to consolidated financial statements

in millions, except share and per share information

Note 1 – Summary of significant accounting policies

Basis of presentation and principles of consolidation

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

The Company prepares its consolidated half year financial statements using the same accounting principles and methods of computation that were applied in the audited consolidated financial statements as of 31 December 2020 and for the year then ended.

Certain information and footnote disclosures included in the audited consolidated financial statements as of 31 December 2020 have been condensed or omitted. As a result, the financial information in the condensed consolidated financial statements should be read in conjunction with the Company's Annual Report including the Company Report, the Corporate Governance, and the Remuneration Report for the fiscal year ended 31 December 2020.

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

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

Use of estimates

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

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

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

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

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

Leases

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

Nonlease components are separated from lease components for real estate lease contracts while there is no separation between lease and nonlease components for motor vehicle lease contracts. The Company considers consideration paid in relation to separated nonlease components to already reflect the market value of the leased property and accordingly no further allocation of the lease component consideration is undertaken. The remaining lease terms of operating leases vary from one year to 12 years, some of which contain options to extend the lease term or to terminate the lease with a notice period. The Company considers lease and nonlease components as well as extension options to lease terms in order to establish its Operating lease right-of-use assets and the corresponding current- and long-term obligations. For most of the Company's operating leases, an implicit rate is not readily determined. To determine the present value of future lease payments at the commencement date of an operating lease contract, the Company uses its incremental borrowing rate. The incremental borrowing rate is estimated to approximate the external interest rate for the Company and is adjusted based on the economic environment where the leased asset is located.

Notes to consolidated financial statements continued

in millions, except share and per share information

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

New accounting guidance

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

Presentation and reclassifications

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

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 2 – Revenues

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

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

For the six months ended 30 June (in EUR)	2021	2020
Flexible Placement	**8,440**	7,695
Permanent Placement	**268**	221
Career Transition	**174**	184
Outsourcing, Consulting & Other Services	**1,189**	1,106
Training, Upskilling & Reskilling	**163**	114
Total revenues	**10,234**	9,320

In Note 12, revenues are additionally disaggregated by segment and country.

Flexible Placement

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

Permanent Placement

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

Career Transition

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

Outsourcing, Consulting & Other Services

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

Notes to consolidated financial statements continued

in millions, except share and per share information

Training, Upskilling & Reskilling

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

Principal vs. agent

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

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

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

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

Practical expedients and exemptions

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

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

Note 3 – Restructuring

The Company incurred total restructuring costs of EUR 15 in the first six months of 2021 as a result of the Covid-19 pandemic. Restructuring expenses are recorded in SG&A and mainly represent headcount reductions and branch optimisation. Given the dynamic nature of the ongoing Covid-19 pandemic, the amount of future restructuring expenses is currently uncertain.

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

in EUR	2021
Restructuring costs	
Adecco France	3
Adecco Northern Europe	5
Adecco DACH	
Adecco Southern Europe & EEMENA	
Adecco Americas	1
Adecco APAC	
Adecco	9
Talent Solutions	5
Modis	1
Corporate	
Total restructuring costs	**15**

Notes to consolidated financial statements continued

in millions, except share and per share information

The changes in restructuring liabilities for the period ended 30 June 2021 are as follows:

in EUR	Restructuring liabilities
1 January 2021	**67**
Restructuring costs	**15**
Cash payments	**(29)**
Write-off of fixed assets, impairment of operating lease right-of-use assets, and other	**(4)**
30 June 2021	**49**

As of 30 June 2021, restructuring liabilities in connection with these initiatives of EUR 49 were recorded in Accounts payable and accrued expenses. As of 30 June 2021, the remaining liability related to onerous leases of EUR 16 was recorded in Current operating lease liabilities and Operating lease liabilities.

Note 4 – Financing arrangements

Short-term debt

The Company's bank overdrafts and other short-term borrowings amounted to EUR 42 as of 30 June 2021, compared to EUR 45 as of 31 December 2020.

Long-term debt

The Company's long-term debt as of 30 June 2021 and 31 December 2020 consists of the following:

in EUR	Principal at maturity	Maturity	Fixed interest rate	30.06.2021	31.12.2020
20-year guaranteed Japanese Yen fixed rate notes	JPY 7,000	2039	1.14%	**53**	55
15-year guaranteed Japanese Yen fixed rate notes	JPY 6,000	2033	1.05%	**45**	47
10.25-year guaranteed Norwegian Krone fixed rate notes	NOK 500	2030	2.65%	**49**	48
10.5-year guaranteed Euro medium-term notes	EUR 300	2029	1.25%	**305**	311
8-year Swiss Franc fixed rate notes	CHF 100	2026	0.875%	**90**	93
5.5-year Swiss Franc fixed rate notes	CHF 225	2025	0.875%	**203**	207
8-year guaranteed Euro medium-term notes	EUR 500	2024	1.0%	**504**	504
7-year guaranteed Euro medium-term notes	EUR 300	2022	1.5%	**299**	300
4-year guaranteed USD medium-term notes	USD 300	2021	2.625%	**255**	249
Other				**2**	2
				1,805	1,816
Less current maturities				**(255)**	(249)
Long-term debt, less current maturities				**1,550**	1,567

Other credit facilities

Committed multicurrency revolving credit facility

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

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 5 – Shareholders' equity

Treasury share transactions and appropriation of available earnings

In the first six months of 2021 no treasury shares were acquired on the regular trading line. In the first six months of 2020 the number of treasury shares acquired on the regular trading line amounted to 1,215,000 and the net consideration paid amounted to EUR 46.

During the six months ended 30 June 2021 and the six months ended 30 June 2020, the Company awarded 11,502 and 18,643 treasury shares, respectively, to the Board of Directors as part of their compensation packages. In addition, in the first six months of 2021 and the first six months of 2020, 449,128 and 237,671 treasury shares, respectively, were used to settle share awards under the long-term incentive plan.

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

- EUR 600 announced in February 2020 (commenced in April 2021)

In the first six months of 2021 the number of treasury shares acquired under the share buyback programme amounted to 976,388 and the net consideration paid amounted to EUR 47.

At the 2021 AGM, the shareholders approved a dividend for a total of CHF 2.50 per share outstanding in respect of the fiscal year 2020. The dividend of EUR 364 was directly distributed to shareholders from voluntary retained earnings in April 2021.

Accumulated other comprehensive income/(loss), net

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

in EUR	30.06.2021	31.12.2020
Currency translation adjustment	**(280)**	(355)
Change in fair value of securities	**3**	2
Change in fair value of cash flow hedges	**(18)**	(20)
Currency translation adjustment of net investment hedges	**(8)**	13
Pension-related adjustments	**(72)**	(73)
Accumulated other comprehensive income/(loss), net	**(375)**	(433)

An amount of EUR 1 (net of tax of less than EUR (1)) and EUR 1 (net of tax of less than EUR (1)) was reclassified from Accumulated other comprehensive income/(loss), net to line item Other income/(expenses), net, in the statement of operations in connection with pension-related adjustments in the first six months of 2021 and 2020, respectively. Additionally, an amount of EUR (5) (net of tax of EUR 2) and EUR 3 (net of tax less than of EUR (1)) was reclassified from Accumulated other comprehensive income/(loss), net to Other income/(expenses), net, and Interest expense in the statement of operations in connection with cash flow hedging activities in the first six months of 2021 and 2020, respectively.

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 6 – Employee benefit plans

For the six months ended 30 June 2021 and 30 June 2020, estimated net pension expense for the defined benefit plans are as follows:

	Swiss plan		Non-Swiss plans	
in EUR	2021	2020	2021	2020
Components of pension expense				
Service cost	9	11	6	7
Interest cost			4	5
Expected return on plan assets	(4)	(4)	(5)	(5)
Amortisation of prior years' service costs			1	
Amortisation of net actuarial (gain)/loss	1			1
Pension expense, net	6	7	6	8

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

Note 7 – Financial instruments

Risk and use of derivative instruments

The Company conducts business in various countries and funds its subsidiaries in various currencies and is therefore exposed to the effects of changes in foreign currency exchange rates. In order to mitigate the impact of currency exchange rate fluctuations, the Company assesses its exposure to currency risk and hedges certain risks through the use of derivative instruments.

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

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

Fair value of non-derivative financial instruments

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

- Cash equivalents, trade accounts receivable, net, accounts payable, and short-term debt: The carrying amount approximates the fair value given the short maturity of such instruments.
- Long-term debt, including current maturities: The fair value of the Company's publicly-traded long-term debt is estimated using quoted market prices (refer to Note 4 for details of debt instruments).

The following table shows the carrying value and the fair value of non-derivative financial instruments as of 30 June 2021 and 31 December 2020:

	30.06.2021		31.12.2020	
in EUR	Carrying value	Fair value	Carrying value	Fair value
Non-derivative financial instruments				
Current liabilities:				
• Current maturities of long-term debt	255	257	249	253
Non-current liabilities:				
• Long-term debt, less current maturities	1,550	1,617	1,567	1,647

Notes to consolidated financial statements continued

in millions, except share and per share information

Fair value of derivative financial instruments

The following table shows the notional amount and the fair value of derivative financial instruments as of 30 June 2021 and 31 December 2020:

		Notional amount		Fair value	
in EUR	Consolidated balance sheet location	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Derivative assets					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	274	580	3	12
• FX options	Other current assets	100	205		2
• Interest rate swaps	Other current assets	253	246	2	5
• Interest rate swaps	Other assets	350	442	10	17
• Cross-currency interest rate swaps	Other assets	49	48	3	1
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other current assets	937	796	6	8
• Cross-currency interest rate swaps	Other assets	46	48	8	6
Derivative liabilities					
Derivatives designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	1,115	473	23	2
• FX options	Other accrued expenses	100	205		
• Interest rate swaps	Other liabilities	296	208	3	1
• Cross-currency interest rate swaps	Other liabilities	99	103	18	16
Derivatives not designated as hedging instruments under ASC 815:					
• Foreign currency contracts	Other accrued expenses	292	401	6	9
• Cross-currency interest rate swaps	Other liabilities	46	48	8	6
Total net derivative asset/(liability)				(26)	17

In addition, as of 30 June 2021 and 31 December 2020, accrued interest receivable on interest rate swaps of EUR 7 and EUR 1, respectively, was recorded in other current assets. As of 30 June 2021, accrued interest receivable and payable on cross-currency interest rate swaps of EUR 1 and EUR (1) was recorded in other current assets and other accrued expenses, respectively. As of 31 December 2020, accrued interest receivable and payable on cross-currency interest rate swaps of less than EUR 1 and EUR (1) was recorded in other current assets and other accrued expenses, respectively.

The fair value of interest rate swaps and foreign currency contracts is calculated by using the present value of future cash flows based on observable market inputs. FX options are valued based on a Black-Scholes model, using major observable market inputs, such as volatility and exercise price. The Company adds an adjustment for non-performance risk in the recognised measure of fair value of derivative instruments. The non-performance adjustment reflects the Credit Default Swap (CDS) applied to the exposure of each transaction. The Company uses the counterparty CDS spread in case of an asset position and its own CDS spread in case of a liability position. As of 30 June 2021 and 31 December 2020, the total impact of non-performance risk was an adjustment of less than EUR 1 and less than EUR 1, respectively.

Fair value hedges

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

The following table shows the gain/(loss) recognised in earnings related to the fair value hedges as of 30 June 2021 and 30 June 2020:

		30.06.2021		30.06.2020	
in EUR	Location of gain/(loss) in Consolidated statements of operations	Recognised on derivatives	Recognised on hedged item	Recognised on derivatives	Recognised on hedged item
Derivatives designated as fair value hedges					
• Interest rate swaps	Interest expense	(12)	10	10	(9)

Notes to consolidated financial statements continued

in millions, except share and per share information

The Company recorded a gain of EUR 1 and less than EUR 1 in the first six months of 2021 and 2020, respectively, in interest expense related to the amortisation of terminated hedges.

Furthermore, the net swap settlements that accrue each period are also reported in interest expense. No significant gains or losses were excluded from the assessment of hedge effectiveness of the fair value hedges in the first six months of 2021 or the first six months of 2020.

The following table shows the amounts recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of 30 June 2021 and 31 December 2020:

	30.06.2021			31.12.2020		
In EUR	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued	Carrying amount of hedged items	Cumulative amount of fair value hedging adjustment gain/(loss) included in the carrying amount of the hedged items	Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued
Current liabilities:						
Current maturities of long-term debt	255	(2)		249	(4)	
Non-current liabilities:						
• Long-term debt, less current maturities	648	(4)	(7)	660	(13)	(9)

Cash flow hedges

Cross-currency interest rate swaps designated as cash flow hedges are used to offset foreign currency exchange rate fluctuations on long-term debt instruments. The Company has also entered into foreign currency contracts designated as cash flow hedges to mitigate exposure to foreign currency exchange rate volatility arising from intercompany cash flows within the next 12 months denominated in other currencies than Swiss Francs.

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

The following table shows the gain/(loss) recorded in Other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as cash flow hedges as of 30 June 2021 and 30 June 2020:

		30.06.2021		30.06.2020	
in EUR	Location of gain/(loss) in Consolidated statements of operations	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
Derivatives designated as cash flow hedges					
• Foreign currency contracts	Other income/ (expenses), net	(1)	(2)	(5)	4
• Cross-currency interest rate swap	Other income/ (expenses), net	11	(5)	(20)	(1)

Within the next 12 months, the Company expects to reclassify a loss of EUR 2 currently reported in Accumulated other comprehensive income/(loss), net into Other income/(loss), net from cash flow hedges.

Notes to consolidated financial statements continued

in millions, except share and per share information

Net investment hedges

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

The following table shows the gain/(loss) recorded in Other comprehensive income/(loss) and reclassified from Other comprehensive income/(loss) to earnings related to derivatives designated as net investment hedges as of 30 June 2021 and 30 June 2020:

		30.06.2021		30.06.2020	
in EUR	Location of gain/(loss) in Consolidated statements of operations	**Recognised gain/(loss) in Other comprehensive income/(loss)**	**Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings**	Recognised gain/(loss) in Other comprehensive income/(loss)	Reclassified gain/(loss) from Other comprehensive income/(loss) to earnings
Derivatives designated as net investment hedges					
• Foreign currency contracts	Other income/ (expenses), net	**(22)**		19	
• FX options	Other income/ (expenses), net	**(1)**			

Other hedge activities

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

The following table shows the gain/(loss) recognised in earnings related to derivatives not designated as hedging instruments as of 30 June 2021 and 30 June 2020:

		Gain/(loss) on derivative recognised in earnings	
in EUR	Location of gain/(loss) in Consolidated statements of operations	**30.06.2021**	30.06.2020
Derivatives not designated as hedging instruments			
• Foreign currency contracts	Other income/ (expenses), net	**3**	2
• Cross-currency interest rate swap	Other income/ (expenses), net		(3)

Credit risk concentration

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

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

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

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 8 – Fair value measurement

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis as of 30 June 2021 and 31 December 2020, consistent with the fair value hierarchy provisions of ASC 820:

in EUR	Level 1	Level 2	Level 3	Total
30 June 2021				
Assets				
Derivative assets		32		**32**
Liabilities				
Derivative liabilities		58		**58**
31 December 2020				
Assets				
Derivative assets		51		51
Liabilities				
Derivative liabilities		34		34

The following table represents the Company's investments that are measured using the net asset value per share on a recurring basis as of 30 June 2021 and 31 December 2020:

in EUR	Unfunded commitments	Redemptions frequency (if currently eligible)	Redemption notice period	30.06.2021	31.12.2020
Private equity investment fund	3	not eligible	n.a.	**11**	8
Total				**11**	8

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

Note 9 – Other income/(expenses), net

For the first six months of 2021 and the first six months of 2020, Other income/(expenses), net, consist of the following:

in EUR	2021	2020
Foreign exchange gain/(loss), net	**(4)**	(5)
Interest income	**3**	8
Other non-operating income/(expenses), net		(8)
Total other income/(expenses), net	**(1)**	(5)

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 10 – Income taxes

Adecco Group AG is incorporated in Switzerland and the Company operates in various countries with different tax laws and rates. A substantial portion of the Company's operations are outside Switzerland. Since the Company operates worldwide, the weighted-average effective tax rate will vary from year to year depending on the earnings mix by country. Income taxes for the first six months of 2021 were provided at a rate of 29%, based on the Company's current estimate of the annual effective tax rate. For the first six months of 2020, the tax rate was 41% excluding the impairment of goodwill, which was not tax deductible. The decrease in the first six months of 2021 compared to 2020 is mainly due to the impact of the French Business Tax, which is a tax primarily based on sales but under US GAAP is recognised within Provision for income taxes in the statement of operations.

The income tax rate in the first six months of 2021 and in the first six months of 2020 includes the positive impact of EUR 1 and negative impact of EUR 1, respectively, from tax disputes, prior year adjustments, the expiration of the statute of limitations, and other discrete events.

As of 30 June 2021 the total amount of unrecognised tax benefits recorded increased by EUR 8 compared to 31 December 2020 primarily due to current year additions and fluctuations in foreign currency exchange rates. As of 30 June 2020 the total amount of unrecognised tax benefits recorded decreased by EUR 10 compared to 31 December 2019 primarily due to the settlement of tax audits in several jurisdictions and fluctuations in foreign currency exchange rates partially offset by current year additions.

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

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

Note 11 – Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the six months ended 30 June 2021 and 30 June 2020:

	2021		2020	
in EUR (except number of shares)	Basic	Diluted	Basic	Diluted
Numerator				
Net income/(loss) attributable to Adecco Group shareholders	**269**	**269**	**(327)**	**(327)**
Denominator				
Weighted-average shares	**161,150,966**	**161,150,966**	**161,723,131**	**161,723,131**
Incremental shares for assumed conversions:				
• Employee stock-based compensation		727,072		461,202
Total average equivalent shares	**161,150,966**	**161,878,038**	**161,723,131**	**162,184,333**
Per share amounts				
Net earnings/(loss) per share	**1.67**	**1.66**	**(2.02)**	**(2.01)**

Notes to consolidated financial statements continued

in millions, except share and per share information

Note 12 – Segment reporting

As part of the new strategic programme Future@Work, the Company realigned its business along three distinct Global Business Units (GBU): Adecco, Talent Solutions and Modis. Effective 1 January 2021, the Company updated its primary segment reporting to align with the corresponding changes in Executive Committee responsibilities. Prior year information has been restated to conform to the current year presentation.

As a result of this change, the primary segment reporting transitioned to a brand-driven organisational model structured around solutions-based business groups comprising Adecco (further split by geography: Americas; France; Northern Europe; DACH (Germany, Austria, Switzerland); Southern Europe & EEMENA; and APAC), Modis (Global), and Talent Solutions (Global). The structure will be complemented by secondary segment reporting of the Company's service lines (comprising Flexible Placement; Permanent Placement; Career Transition; Outsourcing, Consulting & Other Services; and Training, Upskilling & Reskilling).

The Company evaluates the performance of its segments based on operating income before amortisation of intangible assets, which is defined as the amount of income before amortisation of intangible assets, interest expense, other income/(expenses), net, and provision for income taxes. Corporate items consist of certain assets and expenses which are separately managed at the corporate level. The Company has not disclosed the segment assets because management does not currently review segment assets by GBU. The accounting principles used for the segment reporting are those used by the Company.

Revenues derived from Flexible Placement represented 82% for the first six months of 2021 and 83% for the first six months of 2020 of the Company's revenues. The remaining portion was derived from Permanent Placement, Career Transition, Outsourcing, Consulting & Other Services, and Training, Upskilling & Reskilling.

in EUR	Adecco France	Adecco Northern Europe	Adecco DACH	Adecco Southern Europe & EEMENA	Adecco Americas	Adecco APAC	**Adecco**	Talent Solutions	Modis	Corporate	**Total**
Six months ended 30 June 2021											
Revenues	2,229	1,286	705	1,894	1,225	932	**8,271**	902	1,061		**10,234**
Operating income before amortisation of intangible assets and impairment of goodwill	114	31	17	109	39	58	**368**	78	65	(82)	**429**
Amortisation of intangible assets											**(36)**
Operating income											**393**
Interest expense, and other income/(expenses), net											**(14)**
Provision for income taxes											**(109)**
Net income											**270**

in EUR	Adecco France	Adecco Northern Europe	Adecco DACH	Adecco Southern Europe & EEMENA	Adecco Americas	Adecco APAC	**Adecco**	Talent Solutions	Modis	Corporate	**Total**
Six months ended 30 June 2020											
Revenues	1,791	1,180	625	1,530	1,242	959	**7,327**	865	1,128		**9,320**
Operating income before amortisation of intangible assets and impairment of goodwill	57	1	(28)	63	15	58	**166**	52	50	(82)	**186**
Amortisation of intangible assets											**(42)**
Impairment of goodwill											**(362)**
Operating loss											**(218)**
Interest expense, and other income/(expenses), net											**(20)**
Provision for income taxes											**(88)**
Net loss											**(326)**

Notes to consolidated financial statements continued

in millions, except share and per share information

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

in EUR	France	USA	UK	Germany	Japan	Italy	Switzerland	Rest of the world	Total
Six months ended 30 June 2021	**2,408**	**1,519**	**834**	**609**	**761**	**1,096**	**200**	**2,807**	**10,234**
Six months ended 30 June 2020	1,946	1,658	772	534	784	807	204	2,615	9,320

Note 13 – Commitments and contingencies

Guarantees and standby letters of credit

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 867. The guarantees primarily relate to government requirements for operating a flexible placement business in certain countries and are generally renewed annually. The standby letters of credit mainly relate to workers' compensation. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties, then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

Contingencies

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

Note 14 – Subsequent events

The Company has evaluated subsequent events through 4 August 2021, the date the financial statements were available to be issued.

On 28 July 2021, the Company announced that it had reached an agreement with the Ricci Family Group and SWILUX SA (CNP) to acquire their holdings in AKKA Technologies, providing the Company with a controlling stake in AKKA Technologies. Thereafter, the Company will launch a Mandatory Tender Offer for the remaining AKKA Technologies securities. The total consideration of EUR 2,000 Enterprise Value reflects an offer price of EUR 49 per share and accounts for AKKA Technologies' net financial debt as of 30 June 2021. AKKA and Modis will be combined, creating a business with EUR 3,700 in revenues and 50,000 digital experts and engineers, positioned as the global #2 in the faster growth, higher margin global ER&D services market. The transaction accelerates the Company's Future@Work strategy, delivering on its ambition to truly differentiate, and to drive strong value creation.

On 28 July 2021, the Company, in relation to the announced acquisition of AKKA Technologies, placed the share buyback programme on hold. Shares repurchased under the programme are intended for subsequent cancellation, following shareholder approval. As of 28 July 2021, the Company has acquired 1,424,388 shares under this programme for CHF 88.

No other significant events occurred subsequent to the balance sheet date but prior to 4 August 2021 that would have a material impact on the consolidated financial statements.

Non-US GAAP information and financial measures

Non-US GAAP information and financial measures

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

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

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

Bill rate

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

Pay rate

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

Constant currency

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

Organic growth

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

EBITA

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

EBITA excluding one-offs

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

EBITDA

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

EBITDA excluding one-offs

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

Conversion ratio

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

Free cash flow (FCF)

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

Cash conversion

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

Days sales outstanding (DSO)

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

Net debt

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

Net debt to EBITDA excluding one-offs

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

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