Adecco Group – Operating and financial review and prospects

in millions, except share and per share information

1. Introduction

The information in this discussion and analysis should be read in conjunction with the Company's consolidated financial statements and the notes thereto that are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are included elsewhere in this Annual Report and with the disclosure concerning forward-looking statements at the end of this section.

Statements throughout this discussion and analysis using the term "the Company" refer to the Adecco Group, which comprises Adecco S.A., a Swiss corporation, its consolidated subsidiaries, as well as variable interest entities for which Adecco is considered the primary beneficiary (for further details, refer to section "Principles of consolidation" in Note 1 to the consolidated financial statements).

1.1 Business and industry background

The Company is the world's leading provider of human resource services including temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services. The Company had a network of around 5,100 branches and more than 31,000 full-time equivalent ("FTE") employees in over 60 countries and territories at the end of 2013. In 2013, the Company connected on average on a daily basis more than 650,000 associates with over 100,000 clients. Registered and headquartered in Switzerland and managed by a multinational team with expertise in markets worldwide, the Company delivers a broad range of human resource services to meet the needs of small, medium, and large business clients as well as those of associates.

The HR industry is fragmented and highly competitive. Customer demand is dependent upon the overall strength of the labour market as well as an established trend towards greater workforce flexibility. Appropriate regulation, particularly for temporary staffing, is beneficial for the industry and has been a driver for greater workforce flexibility. The business is also strongly influenced by the macroeconomic cycle, which typically results in growing demand for employment services during periods of economic expansion, and conversely, contraction of demand during periods of economic downturn. Due to the sensitivity to the economic cycle and the low visibility in the temporary staffing sector, forecasting demand for HR services is difficult. Typically, customers are not able to provide much advance notice of changes in their staffing needs. Responding to the customers' fluctuating staffing requirements in a flexible way is a key element of the Company's strategy, which it addresses through its diverse HR services network.

Anticipating trends in demand is also important in managing the Company's internal cost structure. This, coupled with the ability to maximise overall resources and to enhance competitive advantage through the Company's wide variety of services and locations while maintaining high standards of quality to both clients and associates, are key components in achieving profitability targets during any part of the economic cycle.

1.2 Organisational structure

The Company is organised in a geographical structure plus the global business Lee Hecht Harrison ("LHH"), which corresponds to the primary segments. This structure is complemented by business lines. The segments consist of France, North America, UK & Ireland, Germany & Austria, Japan, Italy, Benelux, Nordics, Iberia, Australia & New Zealand, Switzerland, Emerging Markets, and LHH. The business lines consist of Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, Medical & Science, as well as Solutions. Solutions comprises Career Transition & Talent Development ("CTTD"), Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS"). The classification of a specific branch into a business line for General Staffing and Professional Staffing is determined by the business line generating the largest revenue share in that specific branch.

1.3 Service lines

Revenues and gross profit derived from temporary staffing totalled 91% and 74% in 2013 and 90% and 74% in 2012 of the respective consolidated totals. Temporary staffing billings are generally negotiated and invoiced on an hourly basis. Associates record the hours they have worked and these hours, at the rate agreed with the customer, are then accumulated and billed according to the agreed terms. Temporary staffing service revenues are recognised upon rendering the services. The associate is paid the net hourly amount after statutory deductions on a daily, weekly, or monthly basis. Certain other employer payroll-related costs are incurred and the net difference between the amounts billed and payroll costs incurred is reported as gross profit.

Revenues and gross profit derived from permanent placement, outsourcing, career transition (outplacement), and other services totalled 9% and 26% in 2013 and 10% and 26% in 2012 of the respective consolidated totals. The terms of outsourcing and outplacement services are negotiated with the client on a project basis and revenues are recognised upon rendering the services. For permanent placement services, the placement fee is directly negotiated with the client and revenues are recognised at the time the candidate begins full-time employment, or as the fee is earned. Allowance provisions are established based on historical information for any non-fulfilment of permanent placement obligations. Career transition (outplacement) and permanent placement services provide significantly higher gross margins than temporary staffing.

1.4 Key performance indicators

The Company monitors operational results through a number of additional key performance indicators besides revenues, gross profit, selling, general, and administrative expenses, and operating income before amortisation and impairment of goodwill and intangible assets, and uses these measures of operational performance along with qualitative information and economic trend data to direct the Company's strategic focus.

These indicators include the following:

- Service line mix – the split between temporary staffing, permanent placement, outsourcing, career transition (outplacement), and other services.
- Business line mix – the split between General Staffing (Office, Industrial), Professional Staffing (Information Technology, Engineering & Technical, Finance & Legal, Medical & Science), and Solutions.
- Sequential revenue momentum – the quarter-on-quarter revenue development compared to the long-term trend.
- Bill rate – an average hourly billing rate for temporary staffing services indicating current price levels.
- Pay rate – an average hourly payroll rate including social charges for temporary staffing services indicating current costs.
- Temporary hours sold – the volume of temporary staffing services sold.
- Associates – the number of associates at work.
- Clients – the number of active clients.
- Permanent placements – the number of candidates placed in permanent job positions.
- Average fee per placement – the average amount received for job placement services.
- Days sales outstanding ("DSO") – accounts receivable turnover.
- Full-time equivalent ("FTE") employees.
- Retention rate of employees, associates, and clients.
- Branches – the number of locations from which the Company offers HR services.
- Conversion ratio – operating income before amortisation and impairment of goodwill and intangible assets ("EBITA") as a percentage of gross profit.
- Economic Value Added – residual income after cost of capital.

1.5 Seasonality

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

1.6 Currency

The financial results of the Company are presented in Euro, which the Company uses as its reporting currency in recognition of the significance of the Euro to the Company's operations. In 2013, 47% of total revenues were generated in the Euro zone. Amounts shown in the consolidated statements of operations, consolidated statements of comprehensive income, and consolidated statements of cash flows are translated using average exchange rates for the period or at transaction exchange rates. In 2013, the average exchange rate for the US Dollar, British Pound, Japanese Yen, Swiss Franc, Norwegian Krone, Australian Dollar, and Canadian Dollar which comprised 18%, 10%, 6%, 2%, 2%, 2%, and 2% of total revenues, respectively, weakened against the Euro when compared to 2012. The Company's consolidated balance sheets are translated using the year end exchange rates. At year end 2013, all aforementioned currencies weakened against the Euro when compared to 2012.

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

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

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

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

2.1 Net debt

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

The following table highlights the calculation of net debt based upon financial measures in accordance with U.S. GAAP:

in EUR	31.12.2013	31.12.2012
Net debt		
Short-term debt and current maturities of long-term debt	492	541
Long-term debt, less current maturities	1,567	1,536
Total debt	**2,059**	**2,077**
Less:		
Cash and cash equivalents	(963)	(1,103)
Short-term investments		(2)
Net debt	**1,096**	**972**

2.2 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 for investors because these comparisons exclude the impact of changes in foreign currency exchange rates, which are outside the Company's control, and focus on the underlying growth and performance.

2.3 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.

3. Operating results

3.1 Overview

In 2013, the business environment and growth in demand for HR services was diverse across geographies. Revenues decreased by 5% in 2013 to EUR 19,503 or decreased by 2% in constant currency when compared to 2012.

Gross profit decreased by 3% or was flat in constant currency to EUR 3,560 in 2013. The gross margin increased by 40 basis points ("bps") to 18.3% in 2013.

Operating income before amortisation of intangible assets (EBITA)[1] increased by 13% or by 18% in constant currency from EUR 725 in 2012 to EUR 821 in 2013. The EBITA margin was 4.2% in 2013 and 3.5% in 2012. Excluding restructuring costs of EUR 33 in 2013 and restructuring and integration costs of EUR 88 in 2012, the EBITA margin increased by 40 bps from 4.0% in 2012 to 4.4% in 2013.

Operating income increased by 16% to EUR 779 in 2013 compared to EUR 673 in 2012.

1 EBITA is a non-U.S. GAAP measure and refers to operating income before amortisation of intangible assets.

Net income attributable to Adecco shareholders increased to EUR 557 in 2013 compared to EUR 377 in 2012, mainly due to increased operating income and a lower effective tax rate in 2013 (20%) compared to 2012 (35%) as discrete events had a positive impact in 2013 whereas a negative impact in 2012.

3.2 Revenues

Revenues in 2013 decreased by 5% to EUR 19,503 and decreased by 2% in constant currency. On an organic basis, revenues decreased by 1% in 2013. This decrease was driven primarily by a decline in temporary staffing volume as temporary hours sold decreased by 4% to 1,144 million. Permanent placement revenues were EUR 320 in 2013, which represents a decrease versus 2012 of 7% or 3% in constant currency. Career transition (outplacement) revenues were EUR 279 in 2013 which represents an increase of 4% or 7% in constant currency.

Segment performance

The segment breakdown of revenues is presented below:

			Variance %	
in EUR	2013	2012	EUR	Constant currency
Revenues				
France[1,2]	4,735	5,183	(9)	(9)
North America[2]	3,726	3,800	(2)	1
UK & Ireland	1,907	1,936	(2)	3
Germany & Austria	1,620	1,591	2	2
Japan	1,118	1,550	(28)	(10)
Italy	960	934	3	3
Benelux	929	922	1	1
Nordics	815	840	(3)	(1)
Iberia	662	657	1	1
Australia & New Zealand	423	531	(20)	(13)
Switzerland	411	437	(6)	(4)
Emerging Markets[1]	1,878	1,845	2	8
LHH	319	310	3	6
Adecco Group[2]	**19,503**	**20,536**	**(5)**	**(2)**

1 In 2013, Morocco and Tunisia, previously within France, are reported under Emerging Markets. The 2012 information has been restated to conform to the current year presentation.

2 In 2013, revenues changed organically in France by -8%, North America by 3%, and Adecco Group by -1%.

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France

Revenues in France decreased by 9% or by 8% organically to EUR 4,735 in 2013. Temporary hours sold decreased by 9% and temporary staffing services bill rates increased by 1% versus 2012. In 2013, France accounted for 24% of the Company's revenues.

North America

Revenues in North America decreased by 2%, increased by 1% in constant currency or by 3% organically to EUR 3,726 in 2013. Temporary hours sold grew by 3% and bill rates decreased by 1% versus 2012 in constant currency. North America contributed 19% to the Company's revenues in 2013.

UK & Ireland

UK & Ireland's revenues decreased by 2% or increased by 3% in constant currency to EUR 1,907 in 2013. Temporary hours sold increased by 1% and bill rates grew by 3% in constant currency. UK & Ireland generated 10% of the Company's revenues in 2013.

Germany & Austria

Germany & Austria's revenues increased by 2% to EUR 1,620 in 2013. Temporary hours sold decreased by 5% and bill rates grew by 7%. Revenues in Germany & Austria accounted for 8% of the Company's revenues in 2013.

Japan

Revenues in Japan decreased by 28% or by 10% in constant currency to EUR 1,118 in 2013. Temporary sales decreased by 8% in constant currency. Temporary hours sold decreased by 9% and bill rates increased by 1% in constant currency. Revenues in outsourcing were down 19% in constant currency. In 2013, 6% of the Company's revenues were generated in Japan.

Italy

In Italy, revenues increased by 3% to EUR 960 in 2013 as temporary hours sold were flat and bill rates grew by 2%. Italy accounted for 5% of the Company's revenues in 2013.

Benelux

In the Benelux countries, revenues increased by 1% to EUR 929 in 2013. Temporary hours sold were flat and bill rates increased by 1%. The Benelux revenues in 2013 accounted for 5% of the Company's revenues.

Nordics

Revenues in the Nordic countries decreased by 3% or 1% in constant currency to EUR 815 in 2013. Temporary hours sold decreased by 5% and the bill rates increased by 4% in constant currency. The Nordics revenues accounted for 4% of the Company's revenues in 2013.

Iberia

In Iberia, revenues increased by 1% to EUR 662 in 2013. The temporary hours sold decreased by 2% and the bill rate increased by 2%. Revenues in outsourcing increased by 4% compared to 2012. In 2013, Iberia contributed 3% to the Company's revenues.

Australia & New Zealand

In Australia & New Zealand, revenues decreased by 20% or by 13% in constant currency to EUR 423 in 2013. Temporary hours sold decreased by 17% and the bill rates increased by 2% in constant currency. Australia & New Zealand contributed 2% of the Company's revenues in 2013.

Switzerland

In Switzerland, revenues decreased by 6% or by 4% in constant currency to EUR 411. Temporary hours sold decreased by 4% and the bill rates were flat in constant currency. Switzerland revenues represented 2% of the Company's revenues in 2013.

Emerging Markets

In the Emerging Markets, revenues increased by 2% or by 8% in constant currency to EUR 1,878. The Emerging Markets represented 10% of the Company's revenues in 2013.

LHH

Revenues of Lee Hecht Harrison ("LHH"), Adecco's Career Transition and Talent Development business, amounted to EUR 319, an increase of 3% or 6% in constant currency. LHH represented 2% of the Company's revenues in 2013.

Business line performance

The business line breakdown of revenues is presented below:

in EUR	2013	2012	Variance % EUR	Variance % Constant currency
Revenues[1]				
Office	4,949	5,476	(10)	(3)
Industrial	9,627	9,955	(3)	(2)
General Staffing[2]	**14,576**	**15,431**	**(6)**	**(3)**
Information Technology[2]	2,249	2,379	(5)	0
Engineering & Technical	1,138	1,169	(3)	1
Finance & Legal	751	761	(1)	1
Medical & Science	364	398	(9)	(7)
Professional Staffing[2]	**4,502**	**4,707**	**(4)**	**0**
Solutions	**425**	**398**	**7**	**10**
Adecco Group[2]	**19,503**	**20,536**	**(5)**	**(2)**

1 Breakdown of staffing revenues into Office, Industrial, Information Technology, Engineering & Technical, Finance & Legal, and Medical & Science is based on dedicated branches. Solutions comprises Career Transition & Talent Development ("CTTD"), Managed Service Programmes ("MSP"), Recruitment Process Outsourcing ("RPO"), and Vendor Management System ("VMS").

2 In 2013, revenues changed organically in General Staffing by -2%, Information Technology by 2%, Professional Staffing by 1% and Adecco Group by -1%.

General Staffing

In 2013, the Company's Office & Industrial businesses, which represented 75% of total revenues, decreased by 3% in constant currency or by 2% organically to EUR 14,576.

In the Office business, revenues decreased by 3% in constant currency. Revenues increased in constant currency in Emerging Markets (8%), whereas revenues decreased in constant currency in Japan (-14%), Nordics (-6%), North America (-3%), and UK & Ireland (-2%). Emerging Markets, Japan, North America, UK & Ireland, and Nordics generated more than 75% of the revenues in the Office business.

In the Industrial business, revenues decreased by 2% in constant currency. Revenues increased in Emerging Markets (7%) and North America (7%) both in constant currency, as well as in Italy (3%) and Germany & Austria (2%), whereas revenues decreased in France (-9%). France, Germany & Austria, North America, Italy, and Emerging Markets accounted for 80% of the revenues in the Industrial business.

Information Technology

In Information Technology, the Company's revenues were flat in constant currency or increased by 2% organically compared to 2012. Revenues increased organically in North America (5%) and in constant currency in UK & Ireland (5%) and Japan (4%), whereas revenues declined in constant currency in Australia & New Zealand (-13%). UK & Ireland, North America, Japan, and Australia & New Zealand contributed over 80% to the business line's revenues.

Engineering & Technical

Revenues in the Company's Engineering & Technical business line increased by 1% in constant currency compared to 2012. Revenues increased in constant currency in North America (2%) whereas revenues were flat in Germany & Austria. Over 70% of the business line's revenues were generated in North America and Germany & Austria.

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Finance & Legal
In Finance & Legal, the Company's revenues increased by 1% in constant currency. Revenues in constant currency increased in UK & Ireland (7%) and were flat in North America when compared to 2012. North America and UK & Ireland generated more than 75% of the revenues of the business line Finance & Legal.

Medical & Science
Medical & Science revenues decreased by 7% in constant currency. Compared to 2012, revenues increased in constant currency in North America (5%) whereas revenues declined in France (-23%). North America and France accounted for almost 70% of the business line's revenues.

Solutions
The Company's Solutions revenues increased by 10% in constant currency. Revenues in the CTTD business increased by 6%, while in MSP and VMS revenues had strong double-digit growth, all in constant currency.

3.3 Gross profit

Gross profit decreased by 3%, or was flat in constant currency, to EUR 3,560 in 2013. Organically, gross profit increased by 1%. The gross margin increased by 40 bps organically to 18.3% driven by the Company's continued strict approach to pricing as well as the effect of the French CICE (tax credit for competitiveness and employment). Higher gross margins in the temporary staffing business (30 bps) and the higher contribution of outplacement (10 bps) positively impacted the gross margin.

The change in gross margin in 2013 compared to 2012 is as follows:

	%
Gross margin 2012	**17.9**
Temporary staffing	0.3
Permanent placement	–
Outplacement	0.1
Others	–
Gross margin 2013	**18.3**

3.4 Selling, general, and administrative expenses

During 2013, the Company maintained its emphasis on cost control. Selling, general, and administrative expenses ("SG&A") were EUR 2,739 in 2013 and decreased by 7%, 4% in constant currency or 3% organically, reflecting a decrease in SG&A as a percentage of revenues of 40 bps to 14.0% in 2013 from 14.4% in 2012. SG&A in 2013 included restructuring costs of EUR 33. In 2012, SG&A included restructuring and integration costs of EUR 88.

Compensation expenses, which include restructuring costs, comprised approximately 70% of total SG&A and decreased by 5% in constant currency to EUR 1,983 in 2013. The average FTE employees during 2013 decreased by 5% and the average number of branches during 2013 decreased by 6%.

The following table shows the average FTE employees and the average branches by segment:

	FTE employees		Branches	
	2013	% variance	2013	% variance
Segment breakdown (yearly average)				
France	4,725	(15)	1,053	(22)
North America	6,720	1	844	(2)
UK & Ireland	2,614	(7)	363	1
Germany & Austria	2,396	(8)	460	(10)
Japan	1,904	(11)	131	(8)
Italy	1,299	(15)	378	(4)
Benelux	1,386	(5)	352	1
Nordics	971	(4)	179	(3)
Iberia	1,369	(4)	380	(6)
Australia & New Zealand	435	(8)	62	1
Switzerland	419	1	98	0
Emerging Markets	5,197	2	605	3
LHH	1,608	6	280	29
Corporate	286	5		
Adecco Group	**31,329**	**(5)**	**5,185**	**(6)**

Marketing expenses were EUR 71 in 2013, compared to EUR 97 in 2012. Bad debt expense decreased by EUR 5 to EUR 8 in 2013.

3.5 Amortisation of intangible assets

Amortisation of intangible assets decreased by EUR 10 to EUR 42 in 2013.

3.6 Operating income

Operating income before amortisation of intangible assets (EBITA) increased by 13% or by 18% in constant currency from EUR 725 in 2012 to EUR 821 in 2013. The EBITA margin was 4.2% in 2013 and 3.5% in 2012. Excluding restructuring costs of EUR 33 in 2013 and restructuring and integration costs of EUR 88 in 2012, the EBITA margin increased by 40 bps from 4.0% in 2012 to 4.4% in 2013.

Operating income increased by 16% to EUR 779 in 2013 compared to EUR 673 in 2012.

The segment breakdown of operating income is presented in the following table:

in EUR	2013	2012	Variance % EUR	Variance % Constant currency
Operating income				
France[1]	224	103	117	117
North America	168	161	4	7
UK & Ireland	37	32	16	20
Germany & Austria	88	90	(1)	(1)
Japan	66	91	(27)	(9)
Italy	58	51	14	14
Benelux	39	40	(3)	(3)
Nordics	21	30	(30)	(29)
Iberia	18	20	(10)	(10)
Australia & New Zealand	8	17	(52)	(48)
Switzerland	34	42	(20)	(19)
Emerging Markets[1]	65	63	2	9
LHH	88	82	6	10
Corporate	(93)	(97)		
Operating income before amortisation of intangible assets (EBITA)	**821**	**725**	**13**	**18**
Amortisation of intangible assets	(42)	(52)		
Adecco Group	**779**	**673**	**16**	**21**

1 In 2013, Morocco and Tunisia, previously within France, are reported under Emerging Markets. The 2012 information has been restated to conform to the current year presentation.

France

France's operating income increased by 117% to EUR 224 in 2013. The operating income margin was 4.7% in 2013, an increase of 270 bps compared to 2012. Excluding restructuring costs of EUR 19 in 2013 and EUR 60 in 2012 associated with headcount reduction and branch optimisation, the operating income margin was 5.1% in 2013 compared to 3.2% in 2012. This was driven by cost reduction measures, pricing discipline, and the effect of CICE (tax credit for competitiveness and employment). At the end of 2012, the government introduced a tax relief programme known as CICE for all companies operating in France. For 2013, this provided employers with a tax credit of 4% on employee salaries up to 2.5 times the minimum wage; for 2014, the amount of credit increases to 6%.

North America

North America's operating income increased by 4% or 7% in constant currency to EUR 168 in 2013. The operating income margin was 4.5% in 2013, an increase of 30 bps compared to 2012. Excluding restructuring costs of EUR 6 in 2013 as well as in 2012, the operating income margin was 4.7% in 2013 compared to 4.4% in 2012.

UK & Ireland

UK & Ireland's operating income increased by 16% or 20% in constant currency to EUR 37 in 2013. The operating income margin was 1.9% in 2013, an increase of 30 bps compared to 2012. Excluding restructuring costs of EUR 3 in 2013, the operating income margin was 2.1%. Included in 2012 were sponsorship costs for the London Summer Olympics.

Germany & Austria

Germany & Austria's operating income decreased by 1% to EUR 88 in 2013 and the operating income margin was 5.5%, down 10 bps compared to 2012. Restructuring costs in 2012 were EUR 10. Excluding restructuring costs in 2012 the operating income margin in 2013 decreased by 80 bps compared to 2012.

Japan

Japan's operating income decreased in 2013 by 27%, or 9% in constant currency to EUR 66. The operating income margin was 5.9%, an increase of 10 bps compared to 2012.

Italy

In Italy, operating income increased by 14% to EUR 58 in 2013 and the operating income margin increased by 60 bps to 6.0% compared to 2012. In 2012, results included restructuring costs of EUR 3. Excluding restructuring costs in 2012 the operating income margin in 2013 increased by 30 bps compared to 2012.

Benelux

In the Benelux countries, operating income was EUR 39 in 2013, down 3% versus 2012. The operating income margin decreased by 10 bps to 4.2% in 2013 compared to 2012. In 2012, results included restructuring costs of EUR 1. Excluding restructuring costs in 2012 the operating income margin in 2013 decreased by 30 bps compared to 2012.

Nordics

Operating income in the Nordic countries decreased by 30% or 29% in constant currency to EUR 21 in 2013. The operating income margin decreased by 100 bps to 2.6% in 2013 compared to 2012.

Iberia

In Iberia, operating income decreased by 10% to EUR 18 in 2013. The operating income margin decreased by 30 bps to 2.7% in 2013 compared to 2012. Excluding restructuring costs of EUR 2 in both years, the operating income margin was 3.0% in 2013 compared to 3.3% in 2012.

Australia & New Zealand

In Australia & New Zealand, operating income decreased by 52% or 48% in constant currency to EUR 8 in 2013. The operating income margin decreased by 130 bps to 1.9% in 2013 compared to 2012.

Switzerland

In Switzerland, operating income decreased by 20% or 19% in constant currency to EUR 34 in 2013. The operating income margin declined by 140 bps to 8.3%.

Emerging Markets

In the Emerging Markets, operating income increased by 2% or 9% in constant currency to EUR 65 in 2013. The operating income margin was unchanged at 3.4% in 2013 compared to 2012.

LHH

In 2013, operating income in LHH increased by 6% or 10% in constant currency to EUR 88. The operating income margin was 27.5% in 2013 compared to 26.6% in 2012. In 2013, results included restructuring costs of EUR 2, and in 2012 integration costs relating to the DBM acquisition of EUR 5. Excluding restructuring and integration costs the operating income margin declined by 20 bps.

3.7 Interest expense

Interest expense increased by EUR 3 to EUR 79 in 2013 compared to EUR 76 in 2012.

3.8 Other income/(expenses), net

Other income/(expenses), net, which include interest income, foreign exchange gains and losses, proportionate net income of investee companies, and other non-operating income/(expenses), net, amounted to an expense of EUR 2 in 2013, compared to an expense of EUR 13 in 2012. The 2012 expense includes the loss of EUR 15 on the sale of a business in North America at the end of June 2012.

3.9 Provision for income taxes

In 2013, the provision for income taxes amounted to EUR 140 and the effective tax rate was 20%. This compared to a provision for income taxes of EUR 206 and an effective tax rate of 35% in the prior year.

The Company's 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. Furthermore, it is also affected by discrete items which may occur in any given year, but are not consistent from year to year.

The effective tax rate in both years includes the positive impact from the successful resolution of prior years' audits and disputes and the expiration of the statutes of limitations.

In 2013, discrete events had a positive impact of approximately 8% on the tax rate. In 2012, discrete events including the valuation allowance on the French deferred tax assets had a negative impact of approximately 4% on the tax rate. At the end of 2012, CICE (tax credit for competitiveness and employment) was approved. As CICE has a negative impact for income tax purposes starting in 2013, management reassessed the recoverability of the French deferred tax assets and recorded a full valuation allowance on those assets in 2012.

3.10 Net income attributable to Adecco shareholders and EPS

Net income attributable to Adecco shareholders for 2013 increased to EUR 557 compared to EUR 377 in 2012. Basic earnings per share ("EPS") was EUR 3.09 in 2013 compared to EUR 2.00 in 2012.

4. Outlook

Most European economies have begun to recover. In Q4 2013, the Company saw a strong pick-up in its early-cyclical Industrial business, driven by double-digit growth in the manufacturing sector. The Company expects demand for flexible labour to continue to increase in 2014. Revenue growth in constant currency and adjusted for trading days was 5% for January and February 2014, with revenue trends across all major geographies similar to Q4 2013.

Given these trends, the Company maintains its price discipline and cost control. In 2014, the Company expects to incur restructuring costs of approximately EUR 20 for the move to a single headquarters in North America and several smaller projects in other countries. At the same time, the Company will continue to invest in organic growth opportunities and the consolidation of its IT platforms, whilst focusing on its strategic priorities. SG&A in Q1 2014 is expected to increase slightly compared to Q4 2013 on a constant currency basis and excluding restructuring costs.

The Company continues to be very focused on reaching its EBITA margin target of above 5.5% in 2015. Based on the good progress on its six strategic priorities, recent trends and more favourable economic conditions expected going forward, the Company remains convinced it will achieve this target.

5. Liquidity and capital resources

Currently, cash needed to finance the Company's existing business activities is primarily generated through operating activities, bank overdrafts, commercial paper, the existing multicurrency credit facility, and, when necessary, the issuance of bonds and other capital instruments.

The principal funding requirements of the Company's business include financing working capital and capital expenditures. Capital expenditures mainly comprise the purchase of computer equipment, capitalised software, and the cost of leasehold improvements.

Within the Company's working capital, trade accounts receivable, net of allowance for doubtful accounts, comprise approximately 70% of total current assets as of December 31, 2013. Accounts payable, accrued salaries and wages, payroll

taxes and employee benefits, and sales and value added taxes comprise approximately 70% of total current liabilities as of December 31, 2013. Working capital financing needs increase as business grows.

Management believes that the ability to generate cash from operations combined with additional capital resources available is sufficient to support the expansion of existing business activities and to meet short- and medium-term financial commitments. The Company may utilise available cash resources, secure additional financing, or issue additional shares to finance acquisitions.

5.1 Analysis of cash flow statements

Cash and cash equivalents decreased by EUR 140 to EUR 963 as of December 31, 2013. The decrease was mainly due to the repayment of EUR 345 of long-term debt, the EUR 266 payment of dividends, the purchase of treasury shares of EUR 297, and capital expenditures of EUR 81. This was partly offset by the generation of EUR 520 in operating cash flows and the EUR 398 net proceeds from borrowings of long-term debt.

Cash flows from operations are generally derived from receipt of cash from customers less payments to associates, regulatory authorities, employees, and other operating disbursements. Cash receipts are dependent on general business trends, foreign currency fluctuations, and cash collection trends measured by DSO. DSO varies significantly within the various countries in which the Company has operations due to the various market practices within these countries. In general, an improvement in DSO reduces the balance of trade accounts receivable resulting in cash inflows from operating activities. Cash disbursement activity is predominantly associated with scheduled payroll payments to the associates. Given the nature of these liabilities, the Company has limited flexibility to adjust its disbursement schedule. Also, the timing of cash disbursements differs significantly amongst various countries.

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

in EUR	2013	2012
Summary of cash flow information		
Cash flows from operating activities	520	579
Cash used in investing activities	(55)	(197)
Cash flows from/(used in) financing activities	(570)	206

Cash flows from operating activities decreased by EUR 59 to EUR 520 in 2013 compared to 2012. This decrease is primarily attributable to pick up in the business at the end of 2013 compared to the end of 2012 whereas the business declined at the end of 2012 compared to the end of 2011. DSO was 54 days for the full year 2013 compared to 54 days for the full year 2012.

Cash used in investing activities decreased by EUR 142 to EUR 55 in 2013 compared to 2012. In 2012, VSN was acquired for a consideration, net of cash acquired of EUR 87. The Company's capital expenditures amounted to EUR 81 in 2013 and EUR 88 in 2012.

Cash used in financing activities totalled EUR 570, compared to cash flows from financing activities of EUR 206 in 2012. In 2013, the Company issued long-term debt of EUR 398, net of issuance costs and repaid long-term debt of EUR 345, whereas in 2012 the Company issued long-term debt of EUR 683, net of issuance costs and repaid long-term debt of EUR 73. Furthermore, the Company paid dividends of EUR 266 and EUR 256 in 2013 and 2012, respectively, and purchased treasury shares, net of disposals for EUR 297 and EUR 191 in 2013 and 2012, respectively.

5.2 Additional capital resources

As of December 31, 2013, the Company's total capital resources amounted to EUR 6,073 comprising EUR 2,059 in debt and EUR 4,014 in equity, excluding treasury shares and noncontrolling interests. Long-term debt, including current maturities, was EUR 1,914 as of December 31, 2013 and EUR 1,872 as of December 31, 2012 and includes long- and medium-term notes. The borrowings, which are unsecured, are denominated in Euros and Swiss Francs. The borrowings outstanding as of December 31, 2013 mature in 2014, 2016, 2017, 2018, 2019 and 2020. During 2013, the Company decreased its short- and long-term debt including foreign currency effects by EUR 18.

The Company maintains a French commercial paper programme ("Billet de Trésorerie programme"). Under the programme, the Company may issue short-term commercial paper up to a maximum amount of EUR 400, with maturity per individual paper of 365 days or less. As of December 31, 2013 and December 31, 2012, EUR 82 and EUR 184, respectively, were outstanding under the programme, with maturities of up to 364 days. The weighted-average interest rate on commercial paper outstanding was 0.43% and 0.31% as of December 31, 2013 and December 31, 2012, respectively.

On July 16, 2013, Adecco International Financial Services BV, a wholly owned subsidiary of the Company, issued EUR 400 medium-term 6-year notes with a coupon of 2.75%, guaranteed by Adecco S.A., due on November 15, 2019, but callable at par within 3 months prior to maturity. The notes were issued within the framework of the Euro Medium-Term Note Programme and trade on the London Stock Exchange. The proceeds will be used for the refinancing of the existing 5-year guaranteed Euro medium-term notes due on April 28, 2014 and for general corporate purposes.

In addition, the Company maintains a committed multicurrency revolving credit facility that was renegotiated in October 2011. The five-year revolving credit facility, which was extended for one more year in September 2012, contained a further 1-year extension option at the discretion of the lender which was executed in September 2013. The five-year revolving credit facility has been issued by a syndicate of banks, permits borrowings up to a maximum of EUR equivalent of EUR 600 and is used for general corporate purposes including refinancing of advances and outstanding letters of credit. The interest rate is based on LIBOR, or EURIBOR for drawings denominated in Euro, plus a margin between 0.6% and 1.3% per annum, depending on certain debt-to-EBITDA ratios. A utilisation fee of 0.25% and 0.5%, applies on top of the interest rate, if drawings exceed 33.33% and 66.67% of total commitment, respectively. The letter of credit fee equals the applicable margin, and the commitment fee equals 35% of the applicable margin. As of December 31, 2013 and December 31, 2012, there were no outstanding borrowings under the credit facility. As of December 31, 2013, the Company had EUR 533 available under the credit facility after utilising the EUR equivalent of EUR 67 in the form of letters of credit.

Net debt increased by EUR 124 to EUR 1,096 as of December 31, 2013. The calculation of net debt based upon financial measures in accordance with U.S. GAAP is presented on page 46.

Under the terms of the various short- and long-term credit agreements, the Company is subject to covenants requiring, among other things, compliance with certain financial tests and ratios. As of December 31, 2013, the Company was in compliance with all financial covenants.

For further details regarding financing arrangements refer to Note 7 to the consolidated financial statements.

The Company manages its cash position to ensure that contractual commitments are met and reviews cash positions against existing obligations and budgeted cash expenditures. 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.

The Company's current cash and cash equivalents and short-term investments are invested primarily within Europe and the USA. In most cases, there are no restrictions on the transferability of these funds among entities within the Company.

5.3 Contractual obligations

The Company's contractual obligations are presented in the following table:

in EUR	2014	2015	2016	2017	2018	Thereafter	Total
Contractual obligations by year							
Short-term debt obligations	145						145
Long-term debt obligations	347		285	286	494	502	1,914
Interest on debt obligations	58	49	43	43	20	15	228
Operating leases	169	116	83	61	43	64	536
Purchase and service contractual obligations	50	38	33	19	3	1	144
Total	**769**	**203**	**444**	**409**	**560**	**582**	**2,967**

Short-term debt obligations consist of borrowings outstanding under the French commercial paper programme and other short-term debt. Long-term debt obligations consist primarily of the EUR 346 medium-term notes due 2014, the CHF 350 fixed rate notes due 2016, the CHF 350 fixed rate notes due 2017, the EUR 500 medium-term notes due 2018, the EUR 400 medium-term notes due 2019, and the CHF 125 fixed rate notes due 2020. These debt instruments were issued partly for acquisitions and the share buyback programme, to refinance existing debt, optimise available interest rates, and increase the flexibility of cash management.

Future minimum rental commitments under non-cancellable leases comprise the majority of the operating lease obligations of EUR 536 presented above. The Company expects to fund these commitments with existing cash and cash flows from operations. Operating leases are employed by the Company to maintain the flexible nature of the branch network.

As of December 31, 2013, the Company has future purchase and service contractual obligations of approximately EUR 144, primarily related to IT development and maintenance agreements, marketing sponsorship agreements, equipment purchase agreements, and other vendor commitments.

5.4 Additional funding requirements

The Company plans to invest approximately EUR 100 in property, equipment, and leasehold improvements for existing operations in 2014. The focus of these investments will be on information technology.

Further planned cash outflows include distribution of dividends for 2013 in the amount of CHF 2.00 per share to shareholders of record on the date of payment. The maximum amount of dividends payable based on the total number of outstanding shares (excluding treasury shares) as of December 31, 2013 of 178,138,000 is EUR 290 (CHF 356 based on CHF/EUR exchange rate of 1.23 as of December 31, 2013). Payment of dividends is subject to approval by shareholders at the Annual General Meeting. In June 2012, the Company launched a share buyback programme of up to EUR 400 on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The share buyback commenced in mid-July 2012. In 2013, the Company completed the EUR 400 share buyback programme and introduced a new share buyback programme of up to EUR 250 also on a second trading line with the aim of subsequently cancelling the shares and reducing share capital. The Board of Directors of Adecco S.A. will propose to the Annual General Meeting of Shareholders of April 15, 2014 to cancel the total number of 10,181,696 treasury shares acquired until December 31, 2013 under the two share buyback programmes. The Company plans to invest an additional EUR 225 to complete the EUR 250 share buyback programme.

The Company has entered into certain guarantee contracts and standby letters of credit that total EUR 617, including the letters of credit issued under the multicurrency revolving credit facility (EUR 67). The guarantees primarily relate to government requirements for operating a temporary staffing business in certain countries and are generally renewed annually. Other guarantees relate to operating leases and credit lines. The standby letters of credit mainly relate to workers' compensation in the USA. If the Company is not able to obtain and maintain letters of credit and/or guarantees from third parties, then the Company would be required to collateralise its obligations with cash. Due to the nature of these arrangements and historical experience, the Company does not expect to be required to collateralise its obligations with cash.

5.5 Income taxes

The Company has reserves for taxes that may become payable in future periods as a result of tax audits. At any given time, the Company is undergoing tax audits in different tax jurisdictions, which cover multiple years. Ultimate outcomes of these audits could, in a future period, have a material impact on cash flows.

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

5.6 Credit ratings

As of December 31, 2013, the Company's long-term credit rating was Baa3 stable outlook from Moody's and BBB stable outlook from Standard & Poor's.

6. Financial risk management – foreign currency and derivative financial instruments

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

Given the global nature of the Company's business, the Company is exposed to the effects of changes in foreign currency exchange rates. Consequently in order to preserve the value of assets, equity, and commitments, the Company enters into various contracts, such as foreign currency forward contracts, swaps, and cross-currency interest rate swaps, which change in value as foreign exchange rates change.

Depending on the amount of outstanding foreign currency forward contract hedges and the fluctuation of exchange rates, the settlement of these contracts may result in significant cash inflows or cash outflows.

The Company has also issued fixed rate long- and medium-term notes. Accordingly, the Company manages exposure to changes in fair value of fixed interest long-term debt through the use of derivative instruments. The terms of the interest rate swaps generally match the terms of specific debt agreements. Additional discussion of these interest rate swaps is located in Note 11 to the consolidated financial statements.

7. Controls and compliance

The Company is committed to maintaining the highest standards of ethical business conduct. The Company's Chief Human Resources Officer and the Head of Group Compliance Reporting oversee worldwide business ethics and compliance practices and report regularly on these topics, depending on the nature of the irregularities, to the Audit Committee or to the Corporate Governance Committee. In addition, the Company's Head of Group Internal Audit reports directly to the Audit Committee.

The Board of Directors and management of the Company are responsible for establishing and maintaining adequate Internal Control Over Financial Reporting. Management has assessed the effectiveness of the Company's Internal Control Over Financial Reporting as of December 31, 2013. In making this assessment, management used the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2013, the Company's Internal Control Over Financial Reporting is effective.

The Company's internal control system is designed to provide reasonable assurance to the Company's management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statements preparation and presentation. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

8. Critical accounting policies, judgements, and estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to adopt accounting policies and make significant judgements and estimates. There may be alternative policies and estimation techniques that could be applied. The Company has in place a review process to monitor the application of new accounting policies and the appropriateness of estimates. Changes in estimates may result in adjustments based on changes in circumstances and the availability of new information. Therefore, actual results could differ materially from estimates. The policies and estimates discussed below either involve significant estimates or judgements or are material to the Company's financial statements. The selection of critical accounting policies and estimates has been discussed with the Audit Committee. The Company's significant accounting policies are disclosed in Note 1 to the consolidated financial statements.

8.1 Accruals and provisions

Various accruals and provisions are recorded for sales and income taxes, payroll-related taxes, pension and health liabilities, workers' compensation, profit sharing, and other similar items taking into account local legal and industry requirements. The estimates used to establish accruals and provisions are based on historical experience, information from external professionals, including actuaries, and other facts and reasonable assumptions under the circumstances. If the historical data the Company uses to establish its accruals and provisions does not reflect the Company's ultimate exposure, accruals and provisions may need to be increased or decreased and future results of operations could be materially affected.

On a routine basis, governmental agencies in the countries in which the Company operates may audit payroll tax calculations and compliance with other payroll-related regulations. These audits focus primarily on documentation requirements and the support for payroll tax remittances. Due to the nature of the Company's business, the number of people employed, and the complexity of some payroll tax regulations, the Company may be required to make some adjustments to the payroll tax remittances as a result of these audits. The Company makes an estimate of the additional remittances that may be required and records the estimate as a component of direct costs of services or SG&A, as appropriate. The estimate is based on the results of past audits, with consideration for changing business volumes and changes to the payroll tax regulations. To the extent that actual experience differs from the estimates, the Company will increase or decrease the reserve balance.

In most states of the USA, the Company is self-insured for workers' compensation claims by associates. The provision recognised is based on actuarial valuations which take into consideration historical claim experience and workers' demographic and market components. Workers' compensation expense for associates is included in direct costs of services. Significant weakening of the US market, changes in actuarial assumptions, increase of claims or changes in laws may require additional workers' compensation expense. Improved claim experience may result in lower workers' compensation expense.

8.2 Allowance for doubtful accounts

The Company makes judgements as to its ability to collect outstanding receivables and provides allowances for the portion of receivables when collection becomes doubtful. Provisions are made based on a specific review of significant outstanding invoices. For those invoices not specifically reviewed, provisions are recorded at differing percentages, based on the age of the receivable. In determining these percentages, the Company analyses its historical collection experience and current economic trends. In the event that recent history and trends indicate that a smaller or larger allowance is appropriate, the Company would record a credit or charge to SG&A during the period in which such a determination is made. Since the Company cannot predict with certainty future changes in the financial stability of its customers, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected. As of December 31, 2013 and December 31, 2012, the Company has recorded an allowance for doubtful accounts of EUR 62 and EUR 85, respectively. Bad debt expense of EUR 8 and EUR 13 was recorded in 2013 and 2012, respectively.

8.3 Income taxes

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

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

8.4 Impairment of goodwill and indefinite-lived intangible assets

The carrying value of goodwill and indefinite-lived intangible assets is reviewed annually for impairment at a reporting unit level. The annual impairment test is performed during the fourth quarter based on financial information as of October 31. In interim periods, an impairment test will be performed in the instance that an event occurs or there is a change in circumstances which would indicate that the carrying value of goodwill or indefinite-lived intangible assets may be impaired.

In step one of the goodwill impairment test, the goodwill of the reporting units is tested for impairment by comparing the carrying value of each reporting unit to the reporting unit's fair value as determined using a combination of comparable market multiples, additional market information, and discounted cash flow valuation models. If the fair value of the reporting unit is lower than the carrying value of the reporting unit, step two is performed to measure the amount, if any, of impairment. In step two, the fair value of all assets and liabilities of the reporting unit is determined as if the reporting unit had been acquired on a stand-alone basis. The fair value of the reporting unit's assets and liabilities is then compared to the fair value of the reporting unit, with the excess, if any, considered to be the implied goodwill of the reporting unit. If the carrying value of the reporting unit's goodwill exceeds this implied goodwill value, that excess is recorded as an impairment charge in operating income. No impairment was recognised in 2013 or 2012.

Indefinite-lived intangible assets are tested by comparing the fair value of the asset to the carrying value of the asset. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in operating income. No impairment charge was recognised in 2013 or 2012 in connection to indefinite-lived intangible assets.

Determining the fair value of a reporting unit and, if necessary, its assets (including indefinite-lived intangible assets) and liabilities requires the Company to make certain estimates and judgements about assumptions which include expected revenue growth rates, profit margins, working capital levels, discount rates, and capital expenditures. Estimates and assumptions are based on historical and forecasted operational performance and consider external market and industry data.

Differences between the estimates used by management in its assessment and the Company's actual performance, as well as market and industry developments, and changes in the business strategy that may lead to reorganisation of reporting units could all result in an impairment of goodwill and indefinite-lived intangible assets.

8.5 Impairment of definite-lived intangible assets

Definite-lived intangible assets are evaluated for impairment by first comparing the carrying amount of a definite-lived intangible asset with the expected undiscounted future cash flows from the operations to which the asset relates. The asset is regarded as not recoverable if the carrying amount exceeds the undiscounted future cash flows. The impairment loss is then calculated as the difference between the asset's carrying value and its fair value, which is calculated using a discounted cash flow model. No impairment charge was recognised in 2013 or 2012 in connection with definite-lived intangible assets.

8.6 Accounting for restructuring costs

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

8.7 Defined benefit pension plans

In order to determine the ultimate obligation under its defined benefit pension plans, the Company estimates the future cost of benefits and attributes that cost to the time period during which each covered employee works. Various actuarial assumptions must be made in order to predict and measure costs and obligations many years prior to the settlement date, the most significant ones being the interest rates used to discount the obligations of the plans and the long-term rates of return on the plans' assets. Management, along with third-party actuaries and investment managers, review all of these assumptions on an ongoing basis to ensure that the most reasonable information available is being considered.

8.8 Contingencies

In the ordinary course of business conducted around the world, the Company faces loss contingencies that may result in the recognition of a liability or the write-down of an asset. Management periodically assesses these risks based on information available and assessments from external professionals.

The Company is currently involved in various claims and legal proceedings. Periodically, the status of each significant loss contingency is reviewed to assess the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, a liability for the estimated loss is recorded. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, the potential liability related to pending claims and litigation is reassessed and, if required, estimates are revised. Such revisions in the estimates of the potential liabilities could have a material impact on results of operations and the financial position of the Company.

9. Forward-looking statements

Information in this Annual Report may involve guidance, expectations, beliefs, plans, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. All forward-looking statements included in this Annual Report are based on information available to the Company as of March 11, 2014, and the Company assumes no duty to update any such forward-looking statements. The forward-looking statements in this Annual Report are not guarantees of future performance, and actual results could differ materially from the Company's current expectations. Numerous factors could cause or contribute to such differences. Factors that could affect the Company's forward-looking statements include, among other things:

- global GDP trends and the demand for temporary work;
- changes in regulation of 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.