

Adecco increases sales, margins and profits in Q1

Q1 2005 Highlights (Q1 05 vs. Q1 04):

- Revenues of EUR 4.1 billion, up 8%
- Operating income of EUR 108 million, up 82%
- Net income of EUR 63 million, up 111%; earnings per share of EUR 0.33 (2004: EUR 0.16)
- Gross margin increases by 15 bp at Adecco Staffing and 90 bp at Ajilon; Adecco US gross margin improves by 100 bp
- Continuing strong performance in professional services segment, with profit up 48% at Ajilon
- Motion to dismiss granted in the securities class action

Chéserey, Switzerland – May 24, 2005: The Adecco Group, the worldwide leader in Human Resource services, today announces results for the first quarter 2005.

Jérôme Caille, Adecco Group Chief Executive Officer, said: “In this quarter, we have delivered sales growth combined with gross margin and operating margin improvements. I am pleased with our sales growth in some key countries, including France, Japan, the Netherlands and Germany, where we grew faster than the market. Our gross margin was mainly enhanced by our achievements at Adecco US, our strong performance in professional staffing services, and further growth in our permanent placement business.”

“We delivered EUR 108 million operating income with improving profitability, while investing in the future, with 1,000 new staff and 100 additional offices in higher-margin faster-growing markets. With an expanding global presence and service offering, and a constant focus on efficiency, we are ideally positioned to support our clients in their long-term HR and productivity challenges”, Caille said.

Sales and Gross Margin

Group sales for the first quarter of 2005 were EUR 4.1 billion, an 8% increase compared to the first quarter of 2004. Gross margin increased year over year at our two major divisions: Adecco Staffing (14.8% vs. 14.6% in 2004) and Ajilon (24.3% vs. 23.4% in 2004). This, partly offset by the business mix effect of lower LHH Career Services division revenues, resulted in a 10bp improvement in group gross margin (16.6% vs. 16.5% in 2004).

Operating Costs

Operating costs as a percentage of sales were reduced to 13.9% (2004: 14.9%) in the first quarter principally due to elimination of costs associated with the financial reporting delay (2004: EUR 36 million). On a like-for-like basis, Q105 operating costs increased by 7% as we increased our branch network by 85 branches and added 700 new staff to support permanent placement and the branch expansion. 23 branches and 300 staff were also added through the acquisition of PeopleOne in India.

Operating Income

Operating income for the first quarter of 2005 was EUR 108 million, an increase of 82% compared to the first quarter of 2004. Operating income margin improved by 110 bp to 2.7% in the first quarter (2004: 1.6%). Last year's operating income was impacted by the costs of the 2003 financial reporting delay; excluding this impact, operating income improved by 13%.

Provision for Income Taxes

The effective tax rate for the first quarter was 32.5% compared with 35.5% last year. The decrease in the first quarter 2005 effective tax rate mainly reflected the absence of expenses associated with the 2003 financial reporting delay, which receive a lower tax benefit, and changes in the mix of income being taxed at higher tax rates.

Press Release

Net Income and EPS

Net income was up 111% to EUR 63 million (2004: EUR 30 Million) in the first quarter 2005. On an underlying basis, excluding the costs of the 2003 financial reporting delay, net income was up 13%. Earnings per share were EUR 0.33 for 2005 (EUR 0.16 for 2004).

Balance Sheet, Cash-flow, and Net Debt¹

Positive cash-flows for the quarter from operations of EUR 68 million were EUR 20 million below last year, principally due to a greater reduction in payables of EUR 89 million compared to Q1 2004. This reduction was mostly due to payment timing including the effect of the 53rd accounting week in 2004. Net debt increased by EUR 62 million to EUR 361 million during the quarter mainly due to EUR 103 million to fund the acquisition of Altedia in France.

Jim Fredholm, Adecco Group Chief Financial Officer, said: "The balance sheet position continues to be strong, with cash and short-term investments of EUR 1.1 billion and we achieved a one day improvement in DSO (days sales outstanding) this quarter. Both Standard & Poor's and Moody's rate Adecco's debt as investment grade, with a positive outlook and stable outlook, respectively."

Currency Impact²

Currency fluctuations in the first quarter reduced reported sales growth by 1%, principally due to the strengthening of the Euro against the US Dollar, and operating income growth by 6%, principally due to the strengthening of the Euro against the Swiss Franc and US Dollar.

Divisional performance

Adecco Staffing

During the quarter the division accounted for EUR 3.6 billion or 88% of group revenue and 80% of total operating income generated by operating units. The 10 geographical regions discussed below account for over 90% of the division's revenues. Overall, Adecco Staffing achieved revenue growth of 7% for the quarter. The division's operating income rose 17% and operating margins for the year increased by 20 bp to 3.0%.

Q105 sales and sales growth at constant currency rates (CR) for key Adecco Staffing business units were as follows:

| | <u>Sales</u> | |
|----------------------|---------------|--------------------|
| | (EUR million) | (% variance at CR) |
| Adecco France | 1,383 | 6% |
| Adecco North America | 617 | -1% |
| Adecco Japan | 317 | 23% |
| Adecco Italy | 239 | 10% |
| Adecco UK | 180 | 5% |
| Adecco Benelux | 177 | 13% |
| Adecco Iberia | 160 | 11% |
| Adecco Nordics | 104 | 27% |
| Adecco Germany | 76 | 19% |
| Adecco Switzerland | 70 | 12% |

Flat sales in the US were offset by strong gross margin improvement of 100 bp in line with performance improvement goals.

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.

² All percentage comparisons are expressed in Euro unless stated otherwise

Press Release

Ajilon Professional

Ajilon Professional Services, which represents 11% of group revenues and 16% of total operating income generated by operating units, increased sales for the quarter by 13% to EUR 0.5 billion with a 48% increase in operating income reflecting improving gross margins and operational gearing.

Q105 sales and sales growth in constant currency rates (CR) for key Ajilon Professional business units were as follows:

| | Sales (EUR million) | Sales (% variance at CR) |
|----------------------|------------------------|-----------------------------|
| Ajilon North America | 185 | 20% |
| Ajilon UK | 173 | 12% |

LHH Career Services

LHH Career Services which represents 1% of group sales and 4% of total operating income generated by operating units experienced a further revenue decline of 14% in the quarter reflecting general market conditions. Operating margins at 13.2% remained the highest in the Group. The acquisition of Altedia in France is proceeding as planned, supporting the extension of the LHH business in Europe.

Litigation and Regulatory matters; motion to dismiss granted in the securities class action

As previously announced the pending consolidated class action complaint filed against the company and certain of its directors and officers in the United States District Court for the Southern District of California has been dismissed. The Court's order dismisses the complaint without prejudice and grants plaintiffs leave to amend the complaint within 45 days.

The previously announced US state unemployment tax reviews and French antitrust investigation are ongoing. As previously stated, there can be no assurance that the resolution of these matters will not have a material adverse effect on Adecco's consolidated financial position, results of operations, or cash flows. In addition, Adecco's previously announced appeal against a reprimand without monetary sanction by the SWX for an alleged violation of ad hoc publicity rules is still pending.

Outlook

The key drivers for the industry are global GDP trends in developed and emerging markets, labour market flexibility as a result of more favourable regulation, and extension of products and services. These indicators are expected to remain favourable for the staffing services market in 2005. With our continuing focus on profitable sales growth through the expansion of our branch network and extension of our service lines, we look for further organic sales growth and margin improvements at or above market levels over the course of the year.

Forward-looking statements

Information in this release 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 release are based on information available to Adecco S.A. (the "Company") as of the date of this release, and we assume no duty to update any such forward-looking statements. Factors that could affect the Company's forward-looking statements include, among other things: global GDP trends and the demand for temporary work; changes in regulation of temporary work; intense competition in the markets in which the Company competes; changes in the Company's ability to attract and retain qualified temporary personnel; the resolution of US state unemployment tax reviews; the resolution of a French anti-trust investigation; the resolution of the US class action litigation and remaining regulatory inquiries relating to the 2003 financial reporting delay; and any adverse developments in existing commercial relationships, disputes or legal proceedings.

The forward-looking statements in this release are not guarantees of future performance and actual results could differ materially from our current expectations. Numerous factors could cause or contribute to such differences. Please refer to the Company's most recent Annual Report on Form 20-F and other reports filed with or submitted to the United States Securities and Exchange Commission from time to time, for a further discussion of the factors and risks associated with our business.

About Adecco

Adecco S.A. is a Fortune Global 500 company and the global leader in HR services. The Adecco Group network connects up to **700,000 associates** with business clients each day through its network of **30,000 employees** and over **6,000 offices** in **70 countries and territories** around the world. Registered in Switzerland, and managed by a multinational team with expertise in markets spanning the globe, the Adecco Group delivers an unparalleled range of flexible staffing and career resources to corporate clients and qualified associates.

The Adecco Group comprises three Divisions: **Adecco Staffing, Ajilon Professional and LHH Career Services**. In Adecco Staffing, the Adecco network focuses on flexible staffing solutions for global industries, including automotive, banking, electronics, logistics and telecommunications; Ajilon Professional offers an unrivalled range of specialised branded businesses; and LHH Career Services encompasses our portfolio of outplacement and coaching consultancy businesses.

Adecco S.A. is registered in Switzerland (ISIN: CH0012138605) and listed on the Swiss Stock Exchange with trading on Virt-x (SWX/VIRT-X:ADEN), the New York Stock Exchange (NYSE:ADO) and Euronext Paris - Premier Marché (EURONEXT: ADE).

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There will be an audio webcast of the analyst teleconference at 1000 CET, details of which can be found at our Investor Relations section at <http://webcast.adecco.com>.

Consolidated Statements of Operations

EUR millions

| | Three months ended | | | |
|--|--------------------|-------------------|----------|----------|
| | April 3, 2005 | March 28, 2004 | % change | |
| | | | EUR | Constant |
| Revenues | 4,086 | 3,800 | 8% | 9% |
| Direct costs of services | (3,409) | (3,173) | | |
| Gross margin | 677 | 627 | 8% | 10% |
| | 16.6% | 16.5% | | |
| Selling, general & administrative expenses | (569) | (567) | | |
| Amortisation of intangibles | - | - | | |
| Operating income | 108 | 60 | 82% | 88% |
| % | 2.7% | 1.6% | | |
| Interest and other expenses | (15) | (14) | | |
| Provision for income taxes | (30) | (16) | | |
| Income from continuing operations | 63 | 30 | 112% | |
| | 1.5% | 0.8% | | |
| Income (loss) from discontinued operations | - | - | | |
| Net income | 63 | 30 | 111% | |
| | 1.5% | 0.8% | | |
| <hr/> | | | | |
| Basic earnings per share: | | | | |
| Continuing operations | 0.33 | 0.16 | | |
| Discontinued operations | - | - | | |
| Basic earnings per share | 0.33 | 0.16 | | |
| Diluted earnings per share: | | | | |
| Continuing operations | 0.33 | 0.16 | | |
| Discontinued operations | - | - | | |
| Diluted earnings per share | 0.33 | 0.16 | | |
| Basic weighted-average shares | 187,332,372 | 186,985,582 | | |
| Diluted weighted-average shares | 197,418,787 | 187,621,398 | | |

Revenues and Operating Income by Division & Geographical Segment

| Q1 2005 EUR millions | Revenues | | | | Operating Income (1) | | | |
|------------------------------|--------------|--------------|------------|------------|----------------------|------------|------------|------------|
| | 2005 | 2004 | Variance % | | 2005 | 2004 | Variance % | |
| | | | EUR | Constant | | | EUR | Constant |
| Adecco Staffing | | | | | | | | |
| Europe | 2,435 | 2,242 | 9 | 8 | 89 | 82 | 8 | 8 |
| North America | 617 | 648 | -5 | -1 | 1 | 2 | -29 | -29 |
| Asia Pacific | 426 | 364 | 17 | 19 | 15 | 6 | 154 | 155 |
| Rest of World | 103 | 91 | 14 | 18 | 3 | 3 | 40 | 48 |
| Total | 3,581 | 3,345 | 7 | 8 | 108 | 93 | 17 | 17 |
| Ajilon Professional | | | | | | | | |
| Europe | 226 | 201 | 12 | 13 | 8 | 7 | 9 | 11 |
| North America | 184 | 159 | 16 | 20 | 12 | 6 | 102 | 109 |
| Asia Pacific | 58 | 52 | 11 | 14 | 2 | 2 | 8 | 11 |
| Rest of World | | | | | | | | |
| Total | 468 | 412 | 13 | 16 | 22 | 15 | 48 | 51 |
| LHH Career Services | | | | | | | | |
| Europe | 6 | 7 | -10 | -10 | 0 | 1 | -116 | -116 |
| North America | 31 | 36 | -15 | -11 | 5 | 10 | -49 | -47 |
| Asia Pacific | | | | | | | | |
| Rest of World | | | | | | | | |
| Total | 37 | 43 | -14 | -11 | 5 | 11 | -54 | -52 |
| Total Operating Units | 4,086 | 3,800 | 8 | 9 | 135 | 119 | 14 | 15 |
| Adecco Group Summary | | | | | | | | |
| By Division | | | | | | | | |
| Adecco Staffing | 3,581 | 3,345 | 7 | 8 | 108 | 93 | 17 | 17 |
| Ajilon Professional | 468 | 412 | 13 | 16 | 22 | 15 | 48 | 51 |
| LHH Career Services | 37 | 43 | -14 | -11 | 5 | 11 | -54 | -52 |
| By Region | | | | | | | | |
| Europe | 2,667 | 2,450 | 9 | 9 | 97 | 90 | 7 | 7 |
| North America | 832 | 843 | -1 | 3 | 18 | 18 | 4 | 8 |
| Asia Pacific | 484 | 416 | 16 | 19 | 17 | 8 | 117 | 120 |
| Rest of World | 103 | 91 | 14 | 18 | 3 | 3 | 40 | 48 |
| Corporate Expenses | | | | | -27 | -59 | | |
| Amortisation of Intangibles | | | | | - | - | | |
| Adecco Group | 4,086 | 3,800 | 8 | 9 | 108 | 60 | 82 | 88 |

1) Contribution (Operating income before amortisation) on the division level

Consolidated Balance Sheets

| EUR millions | April 3, 2005 | January 2, 2005 |
|--|------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 574 | 879 |
| Short-term investments | 518 | 324 |
| Trade accounts receivable, net | 3,060 | 3,149 |
| Other current assets | 390 | 260 |
| Total current assets | 4,542 | 4,612 |
| Property, equipment and leasehold improvements, net | 255 | 261 |
| Other assets | 353 | 364 |
| Intangibles, net | 9 | 8 |
| Goodwill, net | 1,233 | 1,196 |
| Total assets | 6,392 | 6,441 |
| LIABILITIES | | |
| Current liabilities | | |
| Short-term debt and current maturities of long-term debt | 734 | 230 |
| Accounts payable and accrued expenses | 2,925 | 3,025 |
| Total current liabilities | 3,659 | 3,255 |
| Long-term debt, less current maturities | 719 | 1,272 |
| Other liabilities | 140 | 139 |
| Total liabilities | 4,518 | 4,666 |
| Minority interests | 19 | 2 |
| SHAREHOLDERS' EQUITY | | |
| Common shares | 117 | 116 |
| Additional paid-in capital | 2,029 | 2,026 |
| Accumulated deficit | (294) | (356) |
| Accumulated other comprehensive income / (loss), net | 4 | (12) |
| | 1,856 | 1,774 |
| Less: Treasury stock, at cost | (1) | (1) |
| Total shareholders' equity | 1,855 | 1,773 |
| Total liabilities and shareholders' equity | 6,392 | 6,441 |

Consolidated Statements of Cash Flows

EUR millions

| | Three months ended | |
|--|---------------------------|---------------------------|
| | April 3, 2005 | March 28, 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS | | |
| Net income | 63 | 30 |
| Adjustments to reconcile net income to cash flows from operating activities of continuing operations: | | |
| (Income) / loss from discontinued operations | - | - |
| Depreciation and amortisation | 26 | 30 |
| Other charges | 16 | 14 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Trade accounts receivable | 116 | 98 |
| Accounts payable and accrued expenses | (154) | (65) |
| Other assets and liabilities | 1 | (19) |
| Cash flows from operating activities of continuing operations | 68 | 88 |
| CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS | | |
| Capital expenditures, net of proceeds | (14) | (12) |
| Acquisition (49% in Altedia) | (40) | - |
| Increase of restricted cash (tender offer for remaining 51% in Altedia) | (63) | - |
| Purchase of short-term investments | (280) | - |
| Proceeds from sale of short-term investments | 85 | 51 |
| Cash settlements on derivative instruments | - | 8 |
| Other acquisition and investing activities, net | (4) | (1) |
| Cash flows from/(used in) investing activities of continuing operations | (316) | 46 |
| CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS | | |
| Net increase / (decrease) in short-term debt | 10 | 13 |
| Repayment of long-term debt | (65) | (2) |
| Cash settlements on derivative instruments | (10) | 7 |
| Cash flows from/(used in) financing activities of continuing operations | (65) | 18 |
| Effect of exchange rate changes on cash | 8 | 3 |
| Net increase / (decrease) in cash and cash equivalents | (305) | 155 |
| Cash and cash equivalents: | | |
| Beginning of period | 879 | 565 |
| End of period | 574 | 720 |