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10 UNITED STATES DISTRICT COURT
11 SOUTHERN DISTRICT OF CALIFORNIA

12 ALASKA ELECTRICAL PENSION FUND,
13 On Behalf of Itself and All Others Similarly
14 Situated,

15 Plaintiff,

16 vs.

17 ADECCO S.A., JOHN P. BOWMER,
18 JEROME CAILLE and FELIX A. WEBER,

19 Defendants.

) No.

) CLASS ACTION

) COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS

) DEMAND FOR JURY TRIAL

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1 **INTRODUCTION**

2 1. This is an action on behalf of purchasers of Adecco S.A. (“Adecco” or the
3 “Company”) publicly traded securities during the period from June 24, 2003 to January 9, 2004 (the
4 “Class Period”). Adecco is primarily engaged in providing personnel services to companies and
5 industry worldwide. The Company provides its services through its four divisions: Staffing
6 Services, Professional Staffing and Services, Career Services and e-HR Services. Staffing Services
7 provides mainstream staffing services, including temporary staffing and permanent placement.
8 Professional Staffing and Services provides highly qualified specialized temporary and permanent
9 placement focused primarily on the finance and accounting, as well as information technology (IT),
10 segments. Career Services provides outplacement and coaching. e-HR Services provides online
11 recruitment activities. The Company provides these services by contract to businesses located
12 throughout North America, Europe, Asia Pacific and Latin America.

13 2. During the Class Period, defendants caused Adecco’s shares to trade at artificially
14 inflated levels through the issuance of false and misleading financial statements. As a result of this
15 inflation, Adecco was able to complete a public offering of \$533 million convertible bonds on July
16 23, 2003.

17 3. On January 12, 2004, the Company issued a press release entitled “Adecco S.A.
18 Delays Announcement of FY 2003 Audited Results.” The press release stated in part:

19 Adecco S.A. announced that it does not expect the audit of its consolidated financial
20 statements for the 2003 fiscal year, ended on December 28, 2003, to be completed by
Adecco’s auditors, by the previously announced release date of February 4, 2004.

21 The reasons for the delay in completion of the audit include:

- 22 – The identification of material weaknesses in internal controls in the
23 Company’s North American operations of Adecco Staffing
- 24 – The resolution of possible accounting, control and compliance issues in the
25 Company’s operations in certain countries
- 26 – The completion of the Company’s efforts to address these matters and
27 determine their effect on the Company’s consolidated financial statements.

28 In this regard an independent Counsel has been appointed by the Audit &
Finance Committee of the Company’s Board of Directors to conduct an
investigation.

1 1. I have reviewed this annual report on Form 20-F of Adecco S.A.;

2 * * *

3 5. The registrant's other certifying officers and I have disclosed, based on our most
4 recent evaluation, to the registrant's auditors and the audit committee of registrant's
board of directors (or persons performing the equivalent functions):

5 a. all significant deficiencies in the design or operation of internal controls
6 which could adversely affect the registrant's ability to record, process,
summarize and report financial data and have identified for the registrant's
7 auditors any material weaknesses in internal controls; and

8 b. any fraud, whether or not material, that involves management or other
employees who have a significant role in the registrant's internal controls;
9 and

10 6. The registrant's other certifying officers and I have indicated in this annual report
whether there were significant changes in internal controls or in other factors that
11 could significantly affect internal controls subsequent to the date of our most recent
evaluation, including any corrective actions with regard to significant deficiencies
12 and material weaknesses.

13 16. On July 22, 2003, the Company issued a press release entitled "Second quarter net
14 income up 26% in EURO year over year, up 35% in Local Currency." The press release stated in
15 part:

16 Highlights:

17 * * *

- 18 • Group Sales for the half year down 7% at EUR 7.9 billion (up 1% in local
19 currency); operating income before amortisation down 2% at EUR 248
million (up 8% in local currency); NIBA [net income before amortisation] up
20 11% at EUR 152 million (up 21% in local currency)
- 21 • Group operating costs for the second quarter down 15% (down 6% in local
22 currency) due to continued tight cost control in all operational areas resulting
23 in further productivity improvements
- 24 • Operational gearing continues to improve at Group level in the second
25 quarter demonstrated by growth in operating income before amortisation of
26 16% on unchanged revenues, all in local currency
- 27 • Cash-flow generated from operations was EUR 185 million in the first half of
28 2003, tripled from EUR 66 million in the first half of 2002
- Net debt reduced by EUR 672 million year-over year, a reduction of 36%, to
EUR 1.2 billion
- Ajilon narrowed the sales gap in the second quarter and improved
profitability significantly

- 1 • Under US GAAP operating income for the first half was EUR 246 million
2 (EUR 252 million in 2002) and net income for the same period was EUR 150
3 million (EUR 136 million in 2002)
- 4 • Currency effects reduced reported sales, operating income before
5 amortisation and NIBA by 8%, 9% and 9% respectively in the second quarter

6 Commenting on the results Jérôme Caille, Adecco Group Chief Executive
7 Officer, said:

8 ***“I am again pleased with the results we have achieved this quarter. We
9 have extended the improvement in operational gearing achieved last quarter at
10 Adecco Staffing to the whole Group, converting unchanged sales in local currency
11 into an operating income improvement of 16%.”***

12 ***The economic environment remains very tough and sales growth is elusive
13 but we have responded appropriately by extending the cost reductions begun in the
14 first quarter. The good result this quarter has been achieved by the efforts of our
15 outstanding team of colleagues throughout the world and I congratulate them on
16 their hard work throughout these difficult market conditions.”***

17 (Footnote omitted.)

18 17. On July 23, 2003, *Bloomberg* issued a release entitled “Adecco Sells \$533 Mln
19 Convertible Bonds: European Stock Alert.” The release stated in part:

20 ADECCO SA, the world’s largest provider of temporary workers, raised 750
21 million Swiss francs (\$553 million) by selling bonds convertible into its shares. The
22 proceeds will be used to strengthen the company’s capital base and its position
23 outside Switzerland.

24 Glattbrugg, Switzerland-based Adecco had debt at the end of June was [sic]
25 1.18 billion euros (\$1.34 billion), 107 million euros less than three months before.

26 The bonds, which mature in 2013, won’t pay a coupon. Investors will be able
27 to swap the bonds for stock when the shares rise 64 percent from the current price to
28 94.50 francs. The bond’s yield to maturity is 1.5 percent annually.

29 The company will buy the bonds back from investors at maturity of 116.05
30 percent of their face value. Investors can sell the bonds back to Adecco after seven
31 years at a portion of the redemption price. The company can buy back the bonds
32 after seven years on the same terms.

33 18. On October 22, 2003, the Company issued a press release entitled “Adecco
34 Announces Third Quarter Net Income before Amortisation up 28% in EURO Year over Year, up
35 34% in Local Currency.” The press release stated in part:

36 Highlights:

- 37 • Group Sales for the third quarter down 3% at EUR 4.2 billion (up 2% in local
38 currency); operating income before amortisation up 19% at EUR 163 million

1 (up 25% in local currency); NIBA up 28% at EUR 105 million (up 34% in
2 local currency)

- 3 • Group Sales for the 9 months down 6% at EUR 12.1 billion (up 1% in local
4 currency); operating income before amortisation up 5% at EUR 411 million
(up 14% in local currency); NIBA up 17% at EUR 257 million (up 26% in
5 local currency)
- 6 • Group operating costs for the third quarter down 15% (down 9% in local
7 currency) due to continued tight cost control in all operational areas resulting
8 in further productivity improvements
- 9 • Operational gearing continues to improve at Group level in the third quarter
10 demonstrated by growth in operating income before amortisation of 25% on a
11 revenue increase of 2%, all in local currency
- 12 • Cash-flow generated from operations was EUR 291 million for the 9 months,
13 up from EUR 199 million last year
- 14 • Net debt reduced by EUR 93 million during the quarter and EUR 319 million
15 from the beginning of the year, a reduction of 23%, to EUR 1.1 billion
- 16 • Under US GAAP operating income for the 9 months was EUR 408 million
17 (EUR 387 million in 2002) and net income for the same period was EUR 254
18 million (EUR 216 million in 2002)
- 19 • Currency effects reduced reported sales, operating income before
20 amortisation and NIBA by 5%, 6% and 6% respectively in the third quarter

21 Commenting on the results Jerome Caille, Adecco Group Chief Executive
22 Officer said:

23 ***“I am again pleased with the results we have achieved this quarter,
24 measured in local currency. We have extended the improvement in operational
25 gearing across the Group, converting a 2% growth in sales into an operating profit
26 increase of 25%, measured in local currency. The economic environment remains
27 challenging but we are pleased to have achieved the return to positive sales growth
28 that we had in the first quarter. We have also maintained our focus on reducing
operating costs producing a further improvement in operating margin quarter over
quarter of 40 basis points to 3.8%.”***

(Footnote omitted.)

19. On January 12, 2004, the Company issued a press release entitled “Adecco S.A.
Delays Announcement of FY 2003 Audited Results.” The press release stated in part:

Adecco S.A. announced that it does not expect the audit of its consolidated financial
statements for the 2003 fiscal year, ended on December 28, 2003, to be completed by
Adecco’s auditors, by the previously announced release date of February 4, 2004.

The reasons for the delay in completion of the audit include:

- The identification of material weaknesses in internal controls in the
Company’s North American operations of Adecco Staffing

1 27. During the Class Period, Adecco improperly recognized revenue even though these
2 conditions did not exist.

3 28. Ultimately, on January 12, 2004, Adecco announced that its fiscal 2003 results would
4 be delayed. However, in actuality, the Company will need to restate its 2003 results to eliminate
5 millions in revenue that had been improperly recorded revenues and increase its past-stated
6 expenses.

7 29. The fact that Adecco will restate its financial statements for 2003 will be an
8 admission that the financial statements originally issued were false and that the overstatement of
9 revenues and income was material. Pursuant to GAAP, as set forth in Accounting Principles Board
10 Opinion (“APB”) No. 20, the type of restatement announced by Adecco was to correct for material
11 errors in its previously issued financial statements. *See* APB No. 20, ¶¶7-13. The restatement of
12 past financial statements is a disfavored method of recognizing an accounting change as it dilutes
13 confidence by investors in the financial statements, it makes it difficult to compare financial
14 statements and it is often difficult, if not impossible, to generate the numbers when restatement
15 occurs. *See* APB No. 20, ¶14. Thus, GAAP provides that financial statements should only be
16 restated in limited circumstances, *i.e.*, when there is a change in the reporting entity, there is a
17 change in accounting principles used or to correct an error in previously issued financial statements.
18 Adecco’s restatement will not be due to a change in reporting entity or a change in accounting
19 principle, but rather to errors in previously issued financial statements. Thus, the restatement will be
20 an admission by Adecco that its previously issued financial results and its public statements
21 regarding those results were false.

22 30. Due to these accounting improprieties, the Company presented its financial results
23 and statements in a manner which violated GAAP, including the following fundamental accounting
24 principles:

25 (a) The principle that interim financial reporting should be based upon the same
26 accounting principles and practices used to prepare annual financial statements was violated (APB
27 No. 28, ¶10);

28

1 (b) The principle that financial reporting should provide information that is useful
2 to present and potential investors and creditors and other users in making rational investment, credit
3 and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

4 (c) The principle that financial reporting should provide information about the
5 economic resources of an enterprise, the claims to those resources, and effects of transactions, events
6 and circumstances that change resources and claims to those resources was violated (FASB
7 Statement of Concepts No. 1, ¶40);

8 (d) The principle that financial reporting should provide information about how
9 management of an enterprise has discharged its stewardship responsibility to owners (stockholders)
10 for the use of enterprise resources entrusted to it was violated. To the extent that management offers
11 securities of the enterprise to the public, it voluntarily accepts wider responsibilities for
12 accountability to prospective investors and to the public in general (FASB Statement of Concepts
13 No. 1, ¶50);

14 (e) The principle that financial reporting should provide information about an
15 enterprise's financial performance during a period was violated. Investors and creditors often use
16 information about the past to help in assessing the prospects of an enterprise. Thus, although
17 investment and credit decisions reflect investors' expectations about future enterprise performance,
18 those expectations are commonly based at least partly on evaluations of past enterprise performance
19 (FASB Statement of Concepts No. 1, ¶42);

20 (f) The principle that financial reporting should be reliable in that it represents
21 what it purports to represent was violated. That information should be reliable as well as relevant is
22 a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

23 (g) The principle of completeness, which means that nothing is left out of the
24 information that may be necessary to insure that it validly represents underlying events and
25 conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

26 (h) The principle that conservatism be used as a prudent reaction to uncertainty to
27 try to ensure that uncertainties and risks inherent in business situations are adequately considered

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1 was violated. The best way to avoid injury to investors is to try to ensure that what is reported
2 represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

3 31. Further, the undisclosed adverse information concealed by defendants during the
4 Class Period is the type of information which, because of SEC regulations, regulations of the
5 national stock exchanges and customary business practice, is expected by investors and securities
6 analysts to be disclosed and is known by corporate officials and their legal and financial advisors to
7 be the type of information which is expected to be and must be disclosed.

8 **COUNT I**

9 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**
10 **Against All Defendants**

11 32. Plaintiff incorporates ¶¶1-31 by reference.

12 33. During the Class Period, defendants disseminated or approved the false statements
13 specified above, which they knew or recklessly disregarded were materially false and misleading in
14 that they contained material misrepresentations and failed to disclose material facts necessary in
15 order to make the statements made, in light of the circumstances under which they were made, not
16 misleading.

17 34. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

18 (a) Employed devices, schemes, and artifices to defraud;

19 (b) Made untrue statements of material facts or omitted to state material facts
20 necessary in order to make statements made, in light of the circumstances under which they were
21 made not misleading; or

22 (c) Engaged in acts, practices, and a course of business that operated as a fraud or
23 deceit upon plaintiff and others similarly situated in connection with their purchases of Adecco
24 publicly traded securities during the Class Period.

25 35. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of
26 the market, they paid artificially inflated prices for Adecco publicly traded securities. Plaintiff and
27 the Class would not have purchased Adecco publicly traded securities at the prices they paid, or at
28

1 all, if they had been aware that the market prices had been artificially and falsely inflated by
2 defendants' misleading statements.

3 36. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and
4 the other members of the Class suffered damages in connection with their purchases of Adecco
5 publicly traded securities during the Class Period.

6 **COUNT II**

7 **For Violation of §20(a) of the 1934 Act** 8 **Against All Defendants**

9 37. Plaintiff incorporates ¶¶1-36 by reference.

10 38. The executive officers of Adecco prepared, or were responsible for preparing, the
11 Company's press releases and SEC filings. The Individual Defendants controlled other employees
12 of Adecco. Adecco controlled the Individual Defendants and each of its officers, executives and all
13 of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934
14 Act.

15 **CLASS ACTION ALLEGATIONS**

16 39. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules
17 of Civil Procedure on behalf of all persons who purchased Adecco publicly traded securities (the
18 "Class") on the open market during the Class Period. Excluded from the Class are defendants,
19 directors and officers of Adecco and their families and affiliates.

20 40. The members of the Class are so numerous that joinder of all members is
21 impracticable. The disposition of their claims in a class action will provide substantial benefits to
22 the parties and the Court. During the Class Period Adecco had more than 186 million shares of stock
23 outstanding, owned by thousands of persons.

24 41. There is a well-defined community of interest in the questions of law and fact
25 involved in this case. Questions of law and fact common to the members of the Class which
26 predominate over questions which may affect individual Class members include:

- 27 (a) Whether the 1934 Act was violated by defendants;
- 28 (b) Whether defendants omitted and/or misrepresented material facts;

1 (c) Whether defendants' statements omitted material facts necessary to make the
2 statements made, in light of the circumstances under which they were made, not misleading; and

3 (d) Whether defendants knew or recklessly disregarded that their statements were
4 false and misleading.

5 **PRAYER**

6 WHEREFORE, plaintiff prays for judgment as follows: declaring this action to be a proper
7 class action; awarding damages, including interest; awarding reasonable attorney and expert fees;
8 and such other relief as the Court may deem proper.

9 **JURY DEMAND**

10 Plaintiff demands a trial by jury.

11 DATED: January 20 2004

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