PARTICIPANTS

Corporate Participants

Ben J. Noteboom – Chief Executive Officer & Chairman-Executive Board
Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board
Jacques W. van den Broek – Member-Executive Board
Brian Wilkinson – Member-Executive Board

Other Participants

Arun Rambocus – Research Analyst, Kempen & Co. NV (Securities)
Konrad Zomer – Research Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)
Tom R. Sykes – Research Analyst, Deutsche Bank AG (Prime Brokerage)
Olivier Lebrun – Research Analyst, Natixis SA (Broker)
Jaime K. Brandwood – Research Analyst, UBS Ltd. (Broker)
Margo Joris – Research Analyst, KBC Securities NV
Toby Reeks – Research Analyst, Merrill Lynch International Ltd.
David J. Hancock – Research Analyst, Morgan Stanley & Co. International Plc

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Welcome everybody to our Q2 and First Half Year Results. We have today directly [indiscernible] (0:05), where Ben will start with an update on our operational performance followed by Robert-Jan, with an update on our financial performance. And we'll have the Q&A where we'll start in the room with questions and then we'll move on to the line.

I'll now hand over to Ben.

Ben J. Noteboom, Chief Executive Officer & Chairman-Executive Board

Thank you. Welcome everybody live or on the phone. I have a little bit less emotion in my voice than indiscernible (0:28) – I don't know what happened. I guess it's the first time. An interesting quarter obviously. While we have more challenging comparable last year, obviously, with growth actually kicked in the second quarter of last year. And of course, for us, an extra interesting quarter because we launched our offer for SFN Group. You'll know I guess in about eight weeks how that went. We'll see. So far, so good. Anyhow, we look forward to that change. Revenue up 13%; the fifth quarter with consecutive growth – with double-digit growth, I'm sorry.

I'm now going to Slide 5. Is it? Yes, 5. Growth in markets slowing a bit, again, the comparables are changing. Like in Germany where we grew to 40% the second quarter last year. I'll get back to the main markets as usual, of course, later on. On your top right, you'll see development of markets, market growth. On the bottom, you see the Randstad growth. There are two differences though the axes are different. Timeline covers three years at the top one, obviously, and two at the bottom – actually, one-and-a-half I mean, is it? Yes, close.

Public sector still not helping but again only two markets are really affected, as you know, U.S. – sorry, Holland and the UK. We'll get back to that a little bit more later. Administrator segment, private segment is improving gradually, some markets better than others. And also the Netherland is again outperforming market, which is good. We've been looking forward to that and working for that actually.

Total of quarter €3.9 billion sales, 11% organic growth and 13% growth overall, of course, including the currency effect and acquisitions. Inhouse, still being the strongest segment at plus 29%, staffing up at 10%, and professionals, 1% improvement, 6% to 7%, and we see quite a variety per market in that segment. Perm fee is up 14% organically.

Gross margin, little bit better mix. Price pressure is reducing. We see less and less large contracts being negotiated at very low pricing. And actually, we also have made and will even make some more choices as far as we want to have low margin contracts in our portfolio. And I get back to that in some of our markets and more specific.

Operating expenses, basically flat, 5% more. Biggest increase in FTEs was due to the Japanese acquisition obviously. That's where the largest number was added. EBITA up 28% to €153 million. And the good news is that we had anticipated and also communicated with you a €5 million impact based on the earthquake, and actually even more serious the tsunami, in Japan is going to be considerably lower than the €5 million. You're up to speed again.

Starting in the Netherlands, [indiscernible] (3:43) better in market. Tempo-Team is still below market. Yacht is not in the market numbers as you know because it is not in the industry association [indiscernible] (3:54). Revenue declined at Yacht, stable single digit. Still not good enough but anyhow we see that are reaching the bottom. Price pressure less pronounced as I already mentioned. The public sector decline, decelerated so we have a lot less than before, 17% decline. The largest impact as we have told you before in Tempo-Team and Yacht that hasn't changed, of course, it will only change when the comparables get better.

Private sector doing well, plus 11%. Biggest growth in industrial and technical segment obviously. Administrative slowly but surely starting to kick in, an EBITA margin of 6.5%. So, we think a good performance in Holland. We see things improving. We see our relative performance improving so that's all looking very encouraging. We also gave you the next information that we have a public and private sector that went from 16% of revenue to 13%. So, obviously in the end we're going to reach a level where it will not go down anymore.

France holding up well. Performance in line with market, plus 16%. We saw a big increase in permanent placement, 38%, which is considerable. We are really doing very, very well in that field in France. Obviously, it has grown very fast for two reasons. We transfer clients and we gain market – actually, three reasons. We transfer clients, we gain market share once we have transferred those clients, and we are gaining new clients.

The effect of the low wage subsidy system is going as planned, actually, even slightly better. What we do see, however, there are still some clients that do not accept price increases. We will be more strict, if you want, in considering whether or not we will maintain relationships with clients that do not pay a reasonable margin for us to make money.

This will have an impact on our volume development for the second half because we will – we are willing to skip some low-margin contracts. So, that means the average margin should go up; profitability will be better; the topline development might be a little bit lower. But this is a conscious decision based on the fact that they never say thank you and they always want to pay less, and doesn't make any profit. So, there's no – neither a financial nor emotional reason to keep on supplying, so we'll be more strict there.

Professionals is doing well as I mentioned. Engineering is the main driver and with IT as in most markets actually. EBITA margin 3.6%, so that is improving in spite, of course, of the subsidies and, again, with the measures we're taking now and the mix change. Over time, we are optimistic about as far as reaching the required profitability levels. I think we are well on track to actually get there.

Germany strong performance. Again, as I mentioned just now, in Q2, we went from – what was it? The average was 39.5%, 40% growth, so the comparables are a bit more difficult. We have more growth obviously than the difference between the Q1 and Q2 growth last year. So, that's still very positive. In some areas, the labor market is getting tighter. In the area of Munich, as I mentioned earlier already, where we see unemployment rates dropping in the range of 3% again, which are the same level as pre-crisis. So now we need some more mobility of labor to actually meet the demands but that's fine. It helps on the other side.

Continued double-digit of professionals, especially IT doing very, very well. Also, engineering is doing well. The aerospace is still not the easiest segment to be in but anyhow, that's all well under controls – under control. Professional is up 15% as I mentioned. And EBITA, 6.8% which is a very good return in our view based on strong operational leverage. So, we managed cost well in relation to the increase of gross margin. And we have a one-off of €3.5 million, but anyhow, we always have this sort of one-offs, we take provisions and we actually release some of them when it's right to do so.

Belgium. Maintaining strong leverage. Organic growth, plus 10%, profit at the same level as last year if you will exclude the €2 million one-off. Strong operational leverage again, inhouse doing very well still, plus 21%. And professionals in line with Group at plus 7%. Actually, nothing spectacular to be reported except for excellent performance in Belgium, which is good.

Both our brands are doing well, Tempo-Team and Randstad, so we are holding our own very well there. In the UK, obviously the market – our operation is being affected most by the cuts in public spending, because again, there was where a big part of the profit came from, education especially and social care.

We gave you the same information at the bottom to illustrate this. We had 32% sales in the public sector a year ago and now it's gone down to 22% which, of course, has a big impact. The education [indiscernible] (9:23) are very volatile obviously. In summer, there's not much happening in education, at least, not in schools. All sorts of other sources of education but not our business.

Perm fees down to 7%. You see a very volatile market there with a rather big variation per month, especially the cities or the finance. In June, actually saw quite a big drop in permanent placements. Inhouse continued to grow very, very fast, high numbers, big part of our business, doing very well.

So, public sector minus 30 and private sector plus 14. Of course, in a normal recovery, what we usually see is that the decline in public sector is later than in the private sector. The private sector starts to pick up and then the public sector declines. The decline is always to a lesser degree. But this time obviously, because of the exceptional situations we have with the government's deficits, the impact is bigger than it usually is.

North America doing very well, 17% growth in professionals. So no overtake in the staffing which was to be expected given the high growth we had as from already starting September '09 in staffing. So, as was to be expected with the main drivers being IT, by far, the biggest company we have. Engineering doing well. Also healthcare doing well, but it's relatively small. Finance and accounting, another big growth but the business itself, the constitution that we've built is doing well.

Perm is increasing. Now, perm historically used to be a big part of the business of our accounting and finance. So, that's a good signal. Also sequentially we see growth in perm, by the way. And the GP, gross profit for FTE, so productivity increased with 11%, doing very well. We're starting now to rebrand the professional business as we speak. It's going to be finished, I guess, by the end of this quarter. So, then we have one brand to take on the next merger, if things go as we like them to see.

EBITA margin, 4.2% so that's good. It should still be better as everywhere else, but still, we're happy with the results so far. Canada, we see same picture. This is a sign. Lights to go on and off in there and for the people on the phone, so that's why – but anyhow. They're on again so that's okay, enough anyhow.

Canada doing well, actually, both in professionals and in staffing, so that's all going according to plan. Segment performance. Staffing growing at 10%; EBITDA increase of 24%; Inhouse, as I said earlier, it allows civilized growth, 29%; and the EBITA increasing with 16%, and professionals with 7%, and EBITDA increasing with 27%.

Good numbers to build from. I don't think there's anything very particular that I need to explain. We have this overview per segment on Slide 14 where you see that – well, the scientific explanation is that one plus is about 10%, two is about 20%, one minus is minus 10%, and two minuses is about minus 20%. So, we don't have any double minuses anymore on the chart, that's good.

There are still some minuses in this market, obviously, public sector is not doing well. Business services is more or less flat. And you see, of course, the blue collar as is also illustrated by our growth inhouse, automotive and manufacturing double plus' in all markets. And U.S.A. is one plus but still...

The growth accelerator for the plan we launched last quarter to, over a period of two years, add 500 extra consultants in our professionals businesses. On top of the increase based on organic growth actually by our field steering. We are on plan, also the returns are on plan. We have added close to 90 FTEs in this quarter. Again, returns are as – what it's supposed to be. Total net investment amounted to about €1 million so it's relatively small. As we have discussed with you more often, the challenge, the bottleneck is not the money, the bottleneck is not the market. The bottleneck is people actually can manage and help new people to become productive. We have, of course, evaluated this with great attention when we got the plans from the different [indiscernible] (30:29) after we gave them the opportunity to do the extra investments. So that's also why we are making the investments [audio gap] (14:23) can make them. Let's see where it leads us.

I want to now hand over to Robert-Jan van de Kraats to take you through the financial results and the outlook.

Robert-Jan van de Kraats, CFO & Vice Chairman-Executive Board

Thanks, Ben. Well, another good quarter and just a couple of slides to look at the financial dimensions here. First point was already elaborated on by Ben, but some details here. Minus 5 in January last year, that was the starting point of 2010, and then plus 15 in June. So, that was quite a ride in the first half of the year. And from there on, in the second half of 2010, it kind of kept stable at that – close to that level. So, the second quarter was really meeting a challenging comparison base.

The gross margin was 0.3 up versus the previous quarter. And the sequential comparison does not always make sense, but it's clear that the GAAP is certainly not becoming bigger. It might even become a little smaller. But please note, again that's for your Q3 indications. Q3 typically has a somewhat lower gross margin due to the mix of the business. Strong cost control maintained. It indicates the effect of our field steering throughout the organization. So, a limited number of people have been hired and we have also supported some marketing investments. But across the board, we feel that this kind of cost level is appropriate. And that also translates into the last point, incremental conversion ratio, so the conversion of additional gross profit into EBITA at 47%.

As you know, our internal sort of ambition is like 50% but it very much depends on what is happening out there if we're willing to invest like the professionals accelerator program. And in some cases, we have, [indiscernible] (16:16), do not yet perform according to plan. But then because the outlook is good, we allow them to not close locations. 47% is a rather good performance I would say.

EBITA up to €153 million, including a limited number of one-offs as you have been able to read in the press release. The effective tax rate at 31%, which is always a little painful, 31%. But please note, that it includes the French business tax which was reclassified into our corporate income tax line and it has an impact of around 7% out of the 31%. So, cleaned for that, it will be 24%.

EPS at €0.59 compared to €0.45 last year, up 31%. And the moving average improved by two days. And please note that two days is sort of close to €100 million of cash. So, this continues to be a very relevant indicator in our business. This is where the money is next to acquisitions.

Net debt, you got very close this time, but not yet there as a consensus. We have addressed it at the Investor Day last year. I mean it's a typical pattern that always in Q2 it goes up because we pay out holiday allowances in fact of around €140 million, €150 million. Dividend kicks in and we'd like to continue that as well. So, typically, Q2 is always a much higher net debt level. In our book, this is according to plan.

Leverage ratio amounts to 1.6. We are currently paying around 2% of interest to Euribor plus the spread. That's still very low but rather expensive if you compare to a while ago when we were paying just below 1%. But still it clearly indicates that our policy here, our financial strategy is paying off.

The income statement for the second quarter, you're familiar with most of the items but just going below reported EBITA, the amortization, same level as last year. Net finance cost, although, net debt is sort of around the same level, it's lower. And that is because in net finance cost we do reflect other items as well. For example, the revaluation of certain liabilities, some currency impact and so forth. But all in all, I would say a relatively minor amount here. Tax at 33% in line with the percentage that we just discussed.

The gross margin in the second quarter of the year, last year, 18.7%, now arriving at 18.4% on Slide 20. And as you can see, the key impact here comes from the temp margin 0.3% impact, and that indicates that the pricing pressure is less pronounced than it was last quarter. And we also see an improving business and country mix. So, we do see an improving contribution from professionals here and somewhat lower but still significant growth in our inhouse.

Again, this is not an indication for profitability because our inhouse business might well come in with a better return than other parts of the business. The perm fees are now 9.7% of gross profit, which compares to 9.2% in the second quarter of last year. And please note that the combination [indiscernible] (19:45) in the past have performed north of 12%. So, we still have a way to go here.

Some selected to the balance sheet items, the trade receivables minus the trade and other payables arriving at a working capital amount of €700 million, just slightly more than last year. And as you can see, our cash equivalents equal, precisely equal to last year. That's not a policy, that's a coincidence, but we are maintaining some trends also from a tax planning standpoint, but net debt in the end arrived at €1.1 billion. Leverage ratio, 1.6.

Cash flow, I would say straightforward, cash flow from operations reduced then by the use of operating working capital. You see some additions of PPE, Property, Plant and Equipment, and some software, €18 million for the quarter. So, that means we still, sort of, hovering below the level of depreciation. It's slowly going up but nothing spectacular here.

And then, free cash flow of minus €106 million, and that then is reduced at the lower part of the page here via dividend arriving at a net debt increase of €323 million.

The outlook for the next quarter is that it builds on our organic growth in June, which was per working day at 10%. And staffing, we expect to continue in the largest countries clearly at a single-digit growth rate. And the composition of the trends as we've made clear in previous quarters continues to be as one would expect. So it has been, sort of, driven by the blue collar growth and resulting from industrial business and logistics moved into clerical and in the U.S. already significantly into professionals, I mean, that we do see continuing.

Inhouse is expected to remain double digit for the next quarter and we expect professionals to improve gradually. If I then give you the exit rates for June. Netherlands at 7%, and this is organic growth per working day. Netherlands, 7%; France, 15%; Germany, 8%; and looking at Germany, please note that last year, growth in the second quarter moved from 34 to 46 in one quarter so up 12 percentage points, 8% – and in June – 9% in Belgium; the UK at 6%; Iberia at 3%; and North America 12%, adding up to 10% as mentioned here.

Please note that in Q3 last year, organic growth amounted to 16% as I mentioned at the beginning, sort of flat throughout the quarter. And based on this, we do expect a limited cost increase based on the seasonality, the pattern, but also clearly driven again by field steering. The intended acquisition of SFN Group is expected to close late Q3, assuming a short form merger, which requires 90% of the shares to be offered. And if it's sort of just significantly below that, it will take a little longer but it will bring us then, we guess, into late October or early November. And the impact including additional costs will be at the current exchange rates, roughly €700 million – sorry €575 million on the net debt level. So, that completes the presentation and we're now moving to Q&A.

QUESTION AND ANSWER SECTION

<A>: Thanks, by the way, can we ask for two questions max per person?

<Q>: Yes. That's easy. Thanks. On Germany, assuming that your easing growth rate is caused by a tight labor market and not by the demand side, could we assume that also that margins and pricing will go up in the coming quarters? And maybe secondly on the figures of SFN recently acquired on bottom line quite okay but on top line no growth in Q2, can you comment on that one, please? Thanks.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Yes. The lower growth rate in Germany is not so much the result of tighter labor market yet but more on the comparables. So it does play a role but not in all areas. For skilled workers it's more difficult indeed in some specific areas as I've just described like around Munich. It's more the comparables, whereas, of course, the month-to-month is also a difficult statistic to judge the whole quarter on but anyhow. So, that's not the reason it happens. Yes, on SFN, it's a bit early to comment. We, of course, knew the quarterly results because we did the due diligence. They have stated already in Q1 that they will go for more – better margins instead of more growth. And we hope that we add some sales capacity there but...

<Q>: Maybe very quick follow-up, do you believe it's, let's say, SFN specifically or the market? Because you are targeting mid-single-digit growth?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No. I think...

<Q>: Okay.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: ...it is more specifically SFN.

<Q>: Thanks.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: It's a difficult choice, or either we are really fantastic or we're okay. So, that's a difficult question. I think it's, it's more SFN, yeah.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: Okay. Arun Rambocus. I have two questions. First question is on how you apply unit steering to your current revenue trends. Because if you look at the second quarter, your revenue is up sequentially, but if you look at the number of corporate staff, it's already coming down in most markets. So, is that an indication of what we can expect on the revenue trends or can you explain why the number of corporate staff in some of the main markets are coming down?

And the second question is on the professionals staffing. What would the probability be excluding Europe? So, is the business excluding Europe already achieving some of the targets that you set out for achieving more than 10% growth – sorry 10% EBIT margin? Or is there still a skill problem or a bench problem existing outside the Netherlands which needs to be solved to get profitability up? Thanks.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: On the field steering, what we are doing is we're applying it more strict. So, that's already what we also shared earlier. So, I think we were world champion in execution and we lost a little bit of it during the merger and the crisis. Because people became a little bit practical. So, we have it actually as a theme this year.

One of the themes in the company is field steering, so we're being more strict again so has been better applied. Which leads to more efficiency, next to, of course, the fact that Q2 is always an easier quarter than Q1 because of the seasonality. But that is the main reason that we are being more efficient and we will keep on pushing that more and more because we have to, also given the margin developments by the way. So, we also adapt targets. And on Yacht, Robert-Jan can't wait to give you notes.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yes, with respect to the impact of Yacht, please note that Yacht in the Netherlands is around breakeven. And if you would adjust for that on the slide that Ben showed you, Number 13, the segment performance, you can see that that by itself wouldn't sort of lift the performance to the targeted levels yet. So, we still have a way to go in some other countries, as well.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: And on the field steering, are you already scaling back more in blue collar versus professional. Is there a mix difference between general staffing and professionals?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No because that again would mean that we would actually anticipate what is about to happen. And as you know, we don't do that. We work on actuals. So, where we actually have enough productivity to add people, we'll add people, and where we need less, we'll put less. So, we don't anticipate any developments, as you know, because that would be betting again and this is Randstad not bet books.

<Q>: Oh, okay. Two questions from my side. First of all on Germany, you mentioned the comps last year in the second quarter were ending at 46% growth in June last year. Could you share with us also the trend going into Q3 last year? How that developed so that we can anticipate on the comps, what will happen to the trend in Germany? That's the first question. Second question on the public sector in the Netherlands. You gave us the quarterly percentages of sales, but could you share with us also maybe the trend on sales growth, the year-on-year sales trend of the public segment through the quarter. Do we see already a bit of a bottoming in the segment or what should we expect there? Thanks.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yes, [ph] Marc (29:14). With regards to your second question, we do indeed see the public sector at a stable rate of decline for a while now. By the way, that can also be explained by the fact that the share of the public sector is now reduced to just around 13%, it used to be 16% last year and it was north of that, below 20% in the past.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Germany revenues in Q3 last year were hovering around 40%. Through the quarter were hovering around 40%

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Around 42%.

<Q>: Okay, I guess two questions. First if you look at the comparable base in the first half, you were basically running an uphill battle, going from minus 5 in January to plus 15, whereas your exit rates declined by a much more modest 6%, 7% or something like that.

Is that a reflection that the underlying market is strengthening month to month? And if that is the case, is it very strange to assume, given that the comparable basis is not getting any more difficult, that we're actually going to see, let's say, a growth rate of 10% plus for the rest of the year.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Well, that's applying mathematics. But at the same time, we have no idea how the macro situation will run and

Ben just pointed it out, we do not investigate that. We do not have a view on it. And we just adjust ourselves to what's happening out there in the market. But we just give you the data as we have them and that will be it.

<A>: We'll do one more question in the room, Konrad, and then we'll move to the line.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Hi. It's Konrad Zomer, Berenberg Bank. I just have one question. It's about SFN. Looking at the numbers that were released last night, they might be in line with their management guidance from earlier this year, but I think the numbers in itself are quite poor. 1.4% operating profit margin on staffing is not a particularly good margin. Can you give us a few reasons why you think that you as Randstad with your track record in the U.S. are able to improve the quality by the margins and the conversion rate of that business once you've acquired it? Please.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Yes, we can only refer to what we did ourselves Konrad. And so, we really improved that operations, our staffing company in the U.S. a lot. It's a different company that we repositioned. We're going for the right segments now with the right discipline and the right KPIs. There's no reason why that would not be – we would not be able to apply that on a wider scale. Because we do have management that understands how to do it. And on top of that, we have considerable synergies to be realized. So, all in all, for us, it's a very attractive picture there.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Well, maybe you could be a bit more specific. Is it a case of like getting rid of a lot of contracts that you think are not profitable enough? Should we expect topline growth of that business to come down going forward? Is it a strict working capital management? Is it fewer people? I mean can you just...

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: It's all of the above to a certain extent, but what we – but that's not the answer so that would not be fair. What we will do – I'll be more specific. What we'll do is, as always, we will move business to our inhouse concept. Actually, they do have quite some inhouse sites but as all the competitors, they run it differently than we do. So, we think that there's a lot to be gained there.

And also automatically in normal cases leads to lower costs. Because what we see with many competitors is that they still have inhouse cooperating with branches which is nice but you add cost, we don't do that. We see in general then, as always, that our market share at those lines improves. We see opportunities to move clients from branches to inhouse. Which again, sorry, frees up capacity in the branches to go for the business they should be looking for.

And in the branches, we have now determined the right segment to aim for to get to the right profitability. So, that combination of things. And then of course we have the cross-selling, we have the identity of business, we have all the other obvious advantages and that will result in better returns than what we see today. Yes? That's it, yes.

<A>: We'll now move to line.

Operator: [Operator Instructions] Your first question comes from the line of Tom Sykes of Deutsche Bank. Please ask your question.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Yes. Afternoon, everybody. I just wanted to follow up on the questions first of all on Germany. I know you've given the sort of revenue development per industry segment. But obviously, you've – by implication of sort of some wage and price growth, you're probably growing at about 4%, 5% in volumes in Germany. I just wonder what your view was for the outlet for sort of manufacturing and autos in Germany going forward please.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: That's difficult to answer because we don't know how many BMWs are being sold in Shanghai. But right now – if the demand is there then we'll grow with them. So, I don't exactly understand where you're going with this question Tom?

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Well I'm just trying to work out, there seems to be in maybe the financial services sector, looks like it's slowed. I mean just looking at your kind of, I suppose, qualitative analysis...

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Yeah.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: ...there were two double platters in financial services in Germany last quarter and it's now zero. And you're obviously not really growing in volume terms in Germany at the moment by very much, you know, mid-single digits is probably your – is pretty low by German standards, so I'm trying to work our whether we should be worried that your German volumes might actually go to zero in Q3?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: I think your assumption on the [ph] pause (35:36) on our volume is too pessimistic. I think there's little to no wage inflation and the mix is still tending to blue collar because that is the fastest growing segment.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Right.

<A>: That's why you would also expect that the other segments will kick in. In addition to what we see today. As we also indicated, we, for example, see high growth in IT, and the other professional services are also doing. That also means clerical business should improve, so we do expect that the mix will change over time because the big growth now has been in the blue collar segment.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: And then, just maybe on France and the leverage on France, I mean, I think if you, sort of, adjust for what you've given as the subsidy impact. Which is maybe about €4 million or so, in the quarter it looks like your profits would have been up, probably close to 30% which is, sort of, one to two operational gearing in France given the organic growth that you saw there.

And I was just wondering, given that perm is increasing by 38% there, which probably should have boosted the gearing as well, is there anything that is trending down the gearing there? I mean, is there some extra pricing pressure at all over and above the subsidy, or is there extra costs going in that, sort of, affecting this quarter and the leverage that you're seeing in France?

<A>: The total – I mean the increase in permanent placement is of course on a relatively low basis.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Yes.

<A>: So, that's why you see high growth rates, so the impact on the total is still highly limited there.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Okay.

<A>: Do you have anything to add today, Jacques, there? Is the microphone ready? Because we like to talk about France, so we'll do that for a while.

<A – Jacques van den Broek – Member-Executive Board>: Hi, this is Jacques van den Broek of France.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Hi there.

<A – Jacques van den Broek – Member-Executive Board>: Yes, hi Tom. There's something else which is by the way positive and that's a large part of the outperformance you see with us is in blue collar. So, if you compare the mix we have in France compared to last year, it's much more blue collar than anticipated. Which in itself is not bad news but it has a somewhat negative effect on the gross margin again in France. So, the renegotiation is going well but we do more business with some of these clients than expected. So, there's nothing wrong with the gearing in itself.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Okay. Sorry, just following your comments about France and being most circumspect to which clients you will be dealing with. Are you talking about letting go of low margin business or loss making business?

<A – Jacques van den Broek – Member-Executive Board>: Yes. We're definitely not talking about letting go of high margin business...

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Well, obviously yes.

<A – Jacques van den Broek – Member-Executive Board>: But as Ben mentioned, we've been talking with quite a few clients on the topic of price increase, which is of course not the first time in France. And at some point in time, you need to look at it. And that's what we're going to do over the summer. It's a little bit too early to talk more in depth about this but we will definitely let go of some clients where we are not making money.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Okay. All right, thanks very much.

Operator: Your next question comes from the line of Olivier Lebrun from Natixis. Please ask your question.

<Q – Olivier Lebrun – Natixis SA (Broker)>: Hi, good afternoon. I have two questions. The first one relates to the Dutch situation. Do you expect the spending cuts in the public sector to continue in [indiscernible] (38:54) in 2012? And my second question is about margins. When will the gross margin be up year-on-year for the group globally, please?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: On the public spending, we don't know yet but it looks – it looks reasonable to expect that they will not suddenly increase by large numbers. What we see expanding in both UK and Holland of course is based on the fact that they want to balance the deficits. While we're no experts there, but to me it seems unlikely that they would suddenly – start to spend a lot more than what they've done. So I would expect that still to be a slow industry, if you want, into next year.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: And Olivier with regards to the gross margin of the group, certainly it's not going to go up next quarter, as I indicated. Because that's seasonally a quarter with a somewhat lower gross margin especially for example, because we employ a lot of students in Belgium in that quarter. But we should see the gross margin for the group going up when the business mix is shifting. And typically, that is something that should start to happen. But again, now you're sort of getting to the future and that is something that we do not plan for and do not research. We just adjust to what's happening out there in the market. So, we will be happy to see that changing but again, gross margin is not a solid indicator for profitability because it very much depends on how we serve the business. And in inhouse, we can make a very decent return with a low gross margin. Please note that.

<Q – Olivier Lebrun – Natixis SA (Broker)>: Thank you very much.

Operator: Your next question comes from Jamie Brandwood of UBS. Please ask your question.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Hi, good afternoon. Can I firstly start by asking about the Netherlands. I think you mentioned an exit rate or June rate of 7% and I think for Q2 as a whole, adjusted for trading days, you are growing at 3% organically. Where is the acceleration coming from in the Netherlands and how sustainable does that feel?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Again, I'm always puzzled by the reactions on the employment market data from the U.S. because always they correct the ones of last month, which everybody also reacted so enthusiastically. So, want to avoid to do the same. So, I mean, to really go in detail and make the analysis per month and then the trends per month, and then translate into the future is something that I will not see as a reliable indicator of what's about to happen.

In general, we are doing well. Randstad is above market. Tempo-Team is closing the gap. We see the highest growth in the blue collars as we have shared. We've also shared the industries that are improving in the list, which we gave you. And I think that's about as much indication as we can get to derive a reliable trend from. I would really not want to get into the details per month to extrapolate to the future.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: And then this point is supported by the fact that calculating working days in the Netherlands with the bank holidays in May and June has – in the second quarter in general has been very difficult. So, that leaves us the monthly data.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Okay. And then just turning to the margin side of the Netherlands, thus in terms of gross margins and I guess EBIT margins. What can you tell us, what additional detail if any can you give us on the Dutch gross margin trend in terms of the, what appears to have been a gradual or some degree of improvement in Q2 versus Q1. And then also, your number two competitor in the Netherlands is obviously taking a big cost-cutting over the coming 6 to 12 months. As to whether you're planning to do anything similar with your Dutch cost base, as well?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No, we don't have such plans. We also have no reason to do so. Margin, if you look historically, of course, the – in the top days the contribution of the [indiscernible] (42:51) as we've also published in those days was at 12% EBITDA, which of course has an impact on the total.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Yeah.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: On average, we are, well, not extremely happy, but we're okay with the margins we are generating now. And in Holland, there's still a room to improve. And as you said, we have some segments that were very profitable that have been hit. So it'll take a little bit of time to compensate for those. I think that's what I would like to leave it at.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: But what was the main reason for the improvement in the gross margin trend in Q2 versus Q1? Was it just mix, really? Or?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: And also mix, yes. I think that's one of the factors. We're also looking more at developing the SME segment. So, it's a conscious strategy to look for other business on top of what we have. We are more efficient in supplying our current clients, upper activity is to going up. So, we're working on all the obvious. And pushing all the obvious buttons to actually increase that margin.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Okay. Thanks, Ben.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Thank you.

Operator: Your next question comes from the line of Margo Joris of KBC Securities. Please ask your question.

<Q – Margo Joris – KBC Securities NV>: Hi, gentlemen. My first question is on the UK. You have there a decline in public sector of minus 30% versus minus 27% in the first quarter. Is this intensifying further over the last weeks, or do you see some positive signs and some stabilization? Then the second question is on North America. Could you give us or could you remind us how the growth evolved throughout the quarter last year, the third quarter. And then my third question is on France. You want to get rid of the less interesting contracts there. How do you see the impact on the margin in France in the rest of this year? Thanks.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yes, I'll do the last two question, and then hand over to Brian Wilkinson on the UK. America in Q3 last year was more or less flat, hovering around 23%, 24%.

<Q – Margo Joris – KBC Securities NV>: Okay.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: We don't know yet the exact impact of France because we are negotiating, so we hope that we can convince clients to go for a better supplier. That's us and...

<Q – Margo Joris – KBC Securities NV>: And can you give a little bit of range or it is impossible?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: No, that's too – that would be too early.

<Q – Margo Joris – KBC Securities NV>: Okay.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yeah. Sorry. And then, Brian, on the UK.

<A – Brian Wilkinson – Member-Executive Board>: Yes, this is Brian Wilkinson. The UK public sector in general is still declining, I think. The cuts have only really been taking effect for a couple of quarters now in a big way. Having said that, we do see stabilization in our education business, and we're more positive about the new school term in September than we have been for a couple of years. However, public sector administration and healthcare, we still see declining but not substantially.

<Q – Margo Joris – KBC Securities NV>: Okay. Thank you.

Operator: Your final question comes from the line of Toby Reeks of Bank of America Merrill Lynch. Please ask your question.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Hi, guys. A couple from me, if that's okay. The first is on the HRS performance. Gross margins, basic [audio gap] (46:15) are coming down on that in Q2. I'm just wondering which bits of that are performing well. Am I to understand that, the sort of our place of business is, is now flat and is starting to [indiscernible] (46:29) and accelerate? The second one is back to the German market, I'm afraid. The question I've got is if you look at the pool of temps, the official data basically shows that it's been flat since December 2010. Now, clearly, that's a lot of demand for temp staffing in Germany. My question is more about is there the actual volume that you can deliver because the pool of temps is actually pretty limited.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: I'm not sure of answer, but I think that the margin development HRS. What I do know that has an effect there. I'm not sure if I understood your question well. And if not, so please...

<Q – Toby Reeks – Merrill Lynch International Ltd.>: It's, it's...

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No, no, yes.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: It's basically for the last couple of years, that's been a negative performer on gross margin. Can you talk about the dynamics that's made be flat for Q2?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: It's probably the fact that we sold our payrolling business, and that had an effect on the – had a negative effect on the margin.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Okay.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: But a positive effect on the profitability.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Okay. Sure.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: I think that's what you saw there. On Germany, on the pool, you said something was flat, but I didn't get the word there. Sorry.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: If you look at the official data that comes out of the [indiscernible] (47:37), I think it's called in Germany. The number – the pool of temps has been, the official number which gives the actual pool of temps has been flat since December 2010. Implying that the volume growth that they – unless that pool of temps actually increases, I think the volume growth is going to be very difficult to achieve in Germany as we roll forward. What's your sense about how that pool of temp employees that are available can progress?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: I don't think it's flat. I don't know how – we should look at this data. But I don't know – remember having seen them, but maybe you can share them after. But if you look at the employees working we may have every week, there's been quite a steep increase obviously still because, as I said, the rates of inflation plays no factor almost – or none, I think, in the revenue growth in Germany.

So, it's a pure and so quantity increase is almost equal to quality, to a revenue increase. So, I don't know where you got that number from. We've been, of course, in a market like that before. Before the crisis in Germany, where exactly the same situation where unemployment was low. And we still realized high growth. We should not forget that companies are aware of the fact that in order to be able to compete, they have to be flexible in their – in one of their main costs, and that's labor. So, there's no change in that.

So, in spite of the fact that there might be shortages, people never know how long shortages will last. Shortages are only valid in specific groups of skills. But companies need to stay flexible in order to compete. So, I don't see any reason why we would not see more growth in Germany, bet it at a lesser percentage increase.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Okay. And just going back to HRS, so the HRS business only included the business that you sold.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No, but a change in margin compared to our history...

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Right.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: And I think we now lost that in comparison. That's why you now see it as being flat.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Okay, right.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: That was because of the fact that we sold that – the payroll business with a higher margin but with a loss. So, as I said, the gross margin went down, but profitability went up relatively.

<Q – Toby Reeks – Merrill Lynch International Ltd.>: Okay. Thanks very much.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Thank you.

Operator: You have a final question from the line of David Hancock from Morgan Stanley. Please ask your question.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: Thank you. Two for more, please. One is on the inhouse business on Slide 13. At the highest organic revenue growth but the lowest profit growth. Can you just talk about the development there please? Maybe give a reference to the conversion ratio if that helps. And then the second question is on DSOs. You obviously made very good progress there. How-?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Now the answer to the last one is yes. On the inhouse, I'll answer it in the meanwhile and then maybe we – you can get reconnected so I hope you can hear the answer. The conversion obviously is a little bit lower but obviously this is where the economies of scale has a limit. Oh yes, sure and we have this one-off in Belgium which just has quite an impact. There is one-off in Belgium that actually has an effect on the margin. We take it out, it would look better.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: Okay. So, it's that one-off that was...

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Yes.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: The main driver. Okay.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: That's probably it. Yes.

<A>: And David, there was a question about DSO where you started friendly by saying things are developing well, so, I just wanted to say we agree.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: And so the question was how much more do you think you can do? Are you approaching the limit of the further progress that you can make or do you think there is still more that you can do there?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Well, it doesn't say bank on our door but we have many clients thinking that we are a provider of credit as well. The improvement that you have noted over the last couple of quarters is the result of internal discipline in timing, invoicing and a solid collection process. And that is something that will continue but the impact, of course, will be limited because we have already seen quite a lot. So, I still think there is room to maneuver and if we push it too far we might have low DSO or no clients so, one way or another we need to find the balance here and we continue to do so.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: Okay, thank you.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: But only for clients, we expect a decrease of 10 days. This is not for anything, only for clients.

<A>: We can now handle some more questions from the room. We have three more questions. Okay.

<Q >
Yes, [ph] Rian Troy from FDA (52:28). I've a small question. Maybe I missed the last time. It's related with the acquisition of SFN. What will be the leverage ratio after the acquisition of SFN probably, roughly?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yes, we've indicated already in the press release that we expect, given the current trends to continue that at the end of the year, we will be below two times EBITDA including the acquisition of SFN. And please note that we are allowed to include 12 months of EBITDA off the acquired entity.

<Q>: Second question is, you have improved your market position significantly in Japan and North America, both are quite attractive markets. Are there any places or countries where you want to strengthen with sizeable acquisition? Because if I look at Fujistar and SFN, you've acquired sizeable acquisitions. Will you do that in the future?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Yes, what we shared earlier. I mean, we'll first digest this one by the way and yes, I'm a fan of acquiring bigger companies rather than small ones because in general, they only lose you lots of money and little is left. So, more and more we are in favor of that. What we shared earlier with you hasn't changed so our policy's still the same. We are not looking for new markets in the sense of new geographies. We are looking for business in our existing countries to actually increase the density of our business first because that's one of the trends collides with profitability. Two, we'd like to have more professionals business and that's where our priorities are. But today, we will, and in the very near future, you won't see any bigger acquisitions because we first want to digest this one obviously.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Now, acquisitions are getting some attention – quite some attention. I'd just like to add that organic growth is the key priority of the company and please note that at the current pace, we are adding a company of this size of SFN every year through organic growth so that really is the key element.

<Q>: You mentioned in prior presentations that the idle time at Yacht was about, 2% to 3%. Given that this is the second quarter with negative top line growth, can you give us an indication what the idle time is now and how – what's the percentage of candidates which is on your payroll?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Now are we talking about Germany when we talking about idle times? In range of 2%, not about Yacht.

<Q>: Okay.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: And that's considerably higher than that.

<Q>: Can you give us a feel for how high it is?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: I can but we won't.

<Q>: Okay. And what about my question on the percentage of staff, of the percentage of candidates that's on your payroll?

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: In Holland in total?

<Q>: Yes.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: It's about 20%.

<Q>: So, only 20% of the people that work for Yacht are...

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: No, no, no, sorry. Not of the headlands. And all of Yacht is, 45% now, 50%, a bit more?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Yes, yes, around 50%.

<Q>: [indiscernible] (55:26) Three questions for me, mainly on Japan. Can you give us a bit more flavor for the one-off costs taken there for rebranding, restructuring and maybe the tsunami? Secondly, what is now really happening there and when can we see the effect coming in of all those measures and certainly the exit rate in Japan in June.

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: Well, I have to say we're very proud of what's happening in Japan. I was there two weeks ago and it's amazing how quickly people have picked up again. The impact in the second quarter, as Ben indicated, was more limited than the maximum of €5 million that we informed you about. And as for the first of July, we have integrated the companies. It's not just Ranstad and Fujistar. Fujistar's also contained two main components so it has been an integration of three key components. The rebranding has been started as from the first of July and is running at a very high pace at the moment. So, we don't have significant one-offs in Q2 yet. And it's going at a relatively – in a very efficient manner. So, we're not going to sort of surprise you with any significant numbers.

<A>: [indiscernible] (56:45)

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: And you might be confused by the number that we report under the Rest of World in our press release and please note that that is quite a cocktail because it includes Latin America and the Middle East, India, China, Japan and Australia. And it's the mixed bag of that and the comments we've made that do explain the result over there.

<Q>: The exit rate in June?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: We don't have it here.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: Of course. You guys need a copy of it?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: We're looking into our Bible now. Now, we need the organic number to correctly inform you and this includes – but it's relatively low, that's clear.

<A – Ben Noteboom – Chief Executive Officer & Chairman-Executive Board>: [Inaudible] (57:30)

<Q>: And the quantity of the rebranding cost in Japan?

<A – Robert-Jan van de Kraats – CFO & Vice Chairman-Executive Board>: It's going to come in the next month but it's not material at this point in time. And I don't think it's going to pop up anything seriously.

<Q>: Okay.

Ben J. Noteboom, Chief Executive Officer & Chairman-Executive Board

So, if there are no more questions, we'll thank you for coming here. Thank you for the people on the line and we'll see you back in October.

Robert-Jan van de Kraats, CFO & Vice Chairman-Executive Board

Thank you.