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**MANAGEMENT DISCUSSION SECTION**

Operator: Good day and welcome to the Randstad Holding's First Quarter Results 2010 Conference Call. For your information, today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Robert-Jan van de Kraats. Please go ahead, sir.

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**Robert-Jan van de Kraats, Chief Financial Officer and Vice-Chairman**

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Thank you. Good day. Also, welcome on behalf of the Randstad team at this table, which amongst others is composed out of Ben Noteboom, Bart Gianotten, Frans Cornelis and myself. I'm going to take you through the presentation, and then after that, we have the Q&A.

The presentation starts at page 5. So I'd like to take you through the revenue development that we have observed in the first quarter on slide 5, and the first bullet point is the most relevant one. After 20 months of decline, we've now come to see growth again returning in the month of March. The recovery that we have noticed is broad-based. It's across sectors and across geographies, and we'll get back to that.

The next bullet is relevant as well. Staffing and inhouse showed growth in most regions in the month of March across the globe. The professional markets is recovering slowly. However, in the U.S., more or less, 4 months after we've seen the first month of growth in the staffing segment in the U.S., we've now noticed growth in the professional markets.

And then, finally, the time lag between growth in staffing and professional in the U.S. is 4 months. But also, if you look at the time lag between growth in the U.S. in the staffing segment and growth in Europe, the gap typically is like 6 to 9 months. This time, it comes out at 4 months.

And as you can see on the – in the graphs on the right-hand side, it is across the board, coming from a very deep point, a very low point last year in the first and in the second quarter. So the summary is, it's not only springing outside but also within our markets and within the company.

Moving on to slide 6, which is a summary of the key issues in the first quarter. Revenue amounted to a little more than 3 billion, which is 1% decline based on working days. The trend has improved through the quarter from minus 5 in January to plus 4 in March and February being just below zero.

And it is not only due to the easy comparables of last year, because you might recall that in '08 December we were at minus 18, and at the end of March 2009 we were at minus 31. So that was the worst quarter that we have registered. And the improvements month-on-month right now are bigger than the deterioration we did see last year. So there is an underlying real trend of improvement.

Inhouse and the industrial part of the staffing segment that shows the clearest recovering in our book, and that is also typical for the fact that the recovery we see is very much in the manufacturing and the automotive, but also in the logistical segment. And that's where inhouse is mostly represented. The professional segment is recovering slower, but we've seen the first signs of growth now in the U.S.

The gross margin is relatively flat since the third quarter of 2009. That means that commercial pressure has now stabilized. We see less impact of the decline of permanent fees. And for the first time, also in March now, the permanent fees in our book have been growing.

Operating expense is in line with the previous quarter, which we already kind of indicated, at 500 million, which is 12% lower than last year. And we do see continued streamlining, where appropriate, in combination with selective investments.

And this – and I'll get back to that at the outlook – is the key challenge going forward. We have to make sure that we use our leverage in the system, the overcapacity. At the same time, we also have to make sure that we invest on time, and on-time is not too early, but also not too late.

The EBITA reached 75 million, which includes an 8 million reclassification of the French business tax, which was explained in our press release, and also, competitors have explained this element.

The first quarter is typically the weakest quarter of the year. It's always that companies – our clients are starting a little late in January. So, effectively, it means that Q1 is weaker than the other quarters of the year.

And also, typically, the first half of the year is the weaker half-year. The second half is more relevant in the year. The fact that our cost base, by the way, has increased slightly is the result of purely of commissions and bonuses related to the performance of the company.

On slide 7, some remarks about the Dutch market, which is the late cyclical market in our book. It's a market that is predominantly geared towards the service sector. The industrial segment is relatively small.

You might have noticed the market data that indicates that by now the industrial market in the Netherlands is also showing growth of around 8%. But through the first quarter, the revenue growth per working day rides at minus 14.

The market circumstances in the Netherlands are also slowly improving, and I would say it's unavoidable that as being an export economy that the Netherlands would also benefit from the developments in the markets around the Netherlands.

Tempo-Team and Randstad are performing in line with the markets. And Yacht, which is not part of the ABU market, which is the industry association, is – due to its late cyclical character it's below the market average.

The gross margin is sequentially flat, so also that confirms the stabilization of the commercial pressure. The EBITA margin comes out at 6.2% compared to 5.8, but one should notice that last year we took a substantial hit for accelerated termination of contracts in the interim professionals segment in order to avoid and manage idle time.

Across the board, we can say that in the Netherlands the cost base continue to be well managed. But this is clearly a late cyclical part of our portfolio. So looking forward to see further improvements coming through in the Netherlands as well.

The French market on slide 8 shows improving momentum. The organic revenue per working day came out at plus 1 for the first quarter versus minus 19 last year, very serious. The gap with the markets came down from more than 5% to 4, and we believe it's improving further as we speak.

The staffing and inhouse segment improved mostly in the light industrial and the automotive segments. Permanent placement has improved, up by 50% in March, it's also clearly a focus area for the Group. And the professionals segment also shows growth now in the month of March.

We have added three inhouse locations and we've moved 9 branches to inhouse and this is typically the trend that we expect to continue. The network in France is a pretty good footprint. We've rationalized it through the downturn. But if we can increase the number of inhouse locations there will be no doubt doing that.

The gross margin sequentially shows a flat pattern and we have a continued focus on the cost structure. We have some ongoing minor restructuring of 2 million, which we consider to be part of the game.

EBITA came out flat at 0% and DSO improved compared to the first quarter of last year, also due to the 60-day payment law by 4 days. And for comparison purposes, as you could see, the note at the bottom, the 8 million has been excluded from the French EBITA in this analysis.

In Germany, slide 9, very strong performance. If one looks into Eastern Germany it's even stronger performance. The organic revenue growth per day came out at 10% in the first quarter and improving through the quarter versus minus 18 last quarter of the last year.

We are clearly outperforming the market and the revenue trend improves, as I said, through the quarter. Strong pick-up across all industrial segments. We do see growth in the German market in logistics, in manufacturing and the automotive segment.

Gross margin is about stable and we do see some commercial pressure and some mix effects. The idle time has never been very relevant in Germany during the downturn, but it has reduced below the level of last year. And today, I would say, idle time in the staffing segment is not an issue. When it is an issue, it's in the professionals segments, in the engineering segment.

In that segment we do see a mix performance. Growth has accelerated in IT, but the engineering segment remains relatively slow. We also see Kurzarbeit being less meaningful. We have a nice indicator of that, because we also use it internally, and by now we have no people in Kurzarbeit, which is part-time unemployment, in our staffing organization anymore, whereas we still have some people in that arrangement in the professional business.

EBITA margin up to 4.3, which shows a very strong operating leverage. And a new collective labor agreement is in place, which is clearly good news for us. The key point here is that the difference between the various CLAs, collective labor agreements, has been limited very much, so we are happy to see that. We have now committed also to a pattern of salary increases going forward and we believe this is the right way to go. It moves – it clearly has removed the competitive disadvantage from the market.

The U.K., slide 10, we do see strong growth in inhouse and a recovery in perm, but, however, still in the first quarter, organic revenue came out at minus 6. One might have expected following typical patterns that the U.K. would have improved stronger, but it's minus 6 for the first quarter.

Inhouse shows very clear and strong growth and we also have a strong pipeline of new clients in that segment. General staffing is also showing a recovery but at a lower level. Permanent fees are up, but the professional business shows a mixed picture. We do see continued recovery in finance, HR and media, but we do also see challenging market circumstances in the engineering and construction segments, whereas health and education segments are facing some pressure. The EBITA margin is stable at 2.2 and our performance in the U.K. is considered to be in line with market.

North America, slide 11, double-digit growth in staffing and inhouse. We did see the first growth at the end of last year and it continued into Q1. Organic revenue growth now at 9% in the first quarter versus minus 13 in the last quarter of last year, and we do see strong outperformance of the markets. Our staffing business is doing well, but also our IT business has clearly picked up again, but we see 20% growth in the U.S. staffing and inhouse segment. Decline still at the U.S. business in some segments, but as I said, IT is clearly showing – leading the way here. Canada, slightly down in the first quarter, but growth in March. The gross margin is still under pressure in the U.S. market, also due to the negative impact of the SUI charges, the State Unemployment Insurances and we are in the process of charging that to our clients and we believe that we will be successful

at the level of, like, two-thirds of these increased charges. But that is a challenge. The cost management shows continued good performance. EBITA came out at 1.5% compared to 0.3 negative last year.

Some indications on the next slide about the various segments in the four geographies, manufacturing improving across the board, automotive as well, the Netherlands has very little business in this segment.

Food has improved in the German market. Transport, also very strongly improved in the U.S. and especially in the German market. These are our observations. It's our indication, and we do not base any macroeconomic analysis on this, because we try to react to detailed trends that we observe in our units, in our branches.

Then some remarks about the financials, slide 14, where we spoke about the revenue growth, which has clearly returned. Gross margin is sequentially flat across the board since Q3. We now have gross profit of 575 million. Operating expense is in line with the guidance. EBITA came out at 75 million, including a reclassification of 8 million due to a change in the French tax law, which became applicable as from the 1st of January and it replaces a more or less asset-driven tax by an added value-driven tax, and that brings it to a reclassification from cost of sales to the corporate income tax. The impact is roughly 8 million for the first quarter and, of course, 2008 remains unchanged.

Slight 15, key financial points; moving average of DSO compared by last year improved by 1 day to 57 days. We do see some increase use of working capital. Especially the fact that the month of March is now positive that translates into an increased use of working capital.

The free cash flow for the first quarter amounted to 39 million, again, the first quarter being the weakest quarter, but in the cash flow analysis I will get back on this point. Net debt improved to about 1 billion with the leverage ratio now standing at 2.3, and the next mandatory reduction of the term-loan is due in the month of May 2012.

Income statement, Q1 2010, on slide 16, that's the summary of the elements we have just elaborated on, so I will move on to the next slide. Tax was already addressed specifically, but I will get back to that as well.

On the next slide, 17, gross margin development in Q1 2010, the typical slide that we always share with you. Last year first quarter 20.1, this quarter 18.9, and in between the temp margin down 1.1% and it contains the effect of the geographical mix and, let's say, the admin and the blue collar mix. In line with last quarter, we estimate that roughly one-third is the result of mix, so one-third of the 1.1 is the result of mix, the rest is pricing, commercial pricing pressure.

There's some effect from the permanent fees, but as I said, in March, we've seen it growing now. HRS, some effect, because we disposed off part of that business, and the French tax that's a reclassification, arriving at 18.9.

Slide 18, and this underlines the timely adoption of the cost structure and the improving productivity, and I think it clearly outlines that we have been able to adjust the cost base inline with the development, the commercial development of our business. And what we expect to see and you can already see that in the graph on the right hand side, is that, you will see growth going forward in the number of employees, but the network is very much sufficient. With the exception of Randstad Inhouse the network is very much sufficient to deal with the first phases of growth. Please also note that the number of outlets has been adjusted. In Belgium, we have an increased number of inhouse locations. We did have clients that used to be primarily served through the branches with people that visited those clients very regularly, and now we have set up an official inhouse structure for those clients and that makes a difference of at least 60.

Then the next slide, 19, some remarks about tax. This is a slide we have used before. What drives the tax rate? Growth of operating company clearly drives the tax rate, because the impact of the permanent differences, for example, the financing structure that we have in place, that through Brussels that impact continues, but becomes less relevant if we have higher operating profit due to growth. That's a mathematical logic. And also the weight; typically growth is in countries with a slightly higher tax rate than we did have last year, given the strong contribution of the Netherlands. So that will increase the average, the weighted corporate income tax rate.

We also might have some changes in corporate income tax and that depends of course on the – on what happens in each and every country that will have an impact. If we repay the 150 million to the Dutch tax authorities, it will have only an impact on the cash tax rates. And it's expected that that will take place in 2012.

The payment regarding the recapture obligation, which is fully provided for in the balance sheet, will have an impact on the cash tax rate and not on the effective tax rate. This is clearly liquidity of cash management and the timing differences that is depending on the calculation of the deferred tax positions, will have an impact on the cash tax rate.

As a result of this, we enhanced the result of the reclassification in France. We've updated the expected tax rate at the bottom of the page. As you can see here, for 2009, of course, no change, because then the tax rate deduction in France was still in the old structure

In 2010, we're adjusting it from 20 to 22 to 27 to 30, which is the result, again, of the French reclassification. And going forward it goes from 24 to 30 to 31 to 37 now, and we believe that the cash tax rate for this year will be slightly above, but for the years to follow, in line with the effective tax rate.

Then the consolidated balance sheet, 20, nothing to report here as being special, so we'll move on to slide 21, the consolidated cash flow statement, and I already made the point that it's the weakest quarter, but also the amount of cash is a little less than one would – we would expect and that is purely the result of two elements.

First of all, in March, we did grow and that absorbs some working capital. And secondly, on the payables side, timing of payables at the end of the quarter or at the beginning of the next quarter makes a difference, and the fact that we're using operating working capital is very much a function of coincidental elements in terms of payment momentum. Last year, a very substantial release, 204, which was the result of serious decline in the business.

Then slide 22, the debt facilities. We have decided to reduce the facility for efficiency reasons by 300 million, because we believe that it's inefficient to maintain that because we're not planning to use that kind of facility at that level. The facility now has a ceiling of 1.995 or €2 billion. The covenant, as I said, is at 2.3 and banks allow us to go up to 3.5, but internally we are aiming to be not above 2.0. There is no refinancing need before 2013, and we are back now to paying 75 basis points above Euribor.

Then our typical slide, slide 23, which outlines the priorities that we have in each and every phase. We're coming out of the stabilization phase into growth. We are still aiming to get to the 4% EBITA ASAP, and that is a function of the level of growth that we'll see in the next quarters in the countries where we grow, because we're not all – through the group, we are not all in the same phase. But in the countries where we grow, we can have a very strong focus on high conversion at the very beginning and then gradually declining to more than 50%. That is incremental conversion ratio.

The outlook going forward, and in order to avoid many questions, we will provide you with the exit rates of the month of March. In the Netherlands that was minus 12; in France that was plus 7; in

Germany plus 18; in Belgium plus 3; the UK zero; Iberia plus 13 and North America 17; and then you should note, as we've written in the press release that the volumes in April are somewhat better again than what we have seen in March.

So the positive trend is expected to proceed through Q2. Our forward visibility, as you know, is always limited, but based on the trends and the transactions that we observe, as we speak, we believe that we'll have – we'll see these trends continuing in Q2. We see growth in all inhouse businesses, again, due to manufacturing and the logistic segments. The staffing business, we see rebounding in most regions. Professionals is recovering slowly, but we see growth in some regions as from March onwards. Permanent fees growing again. Late cyclical markets, the Netherlands continues to be behind. The gross margin continues to be sequentially stable, and looking at the cost base, one relevant remark to make is that we showed you a scenario analysis at the Investor Day where we said we could see growth of 10% with a 2 billion flat cost base if we would see growth equally distributed amongst all the operations, and of course, that's a dream which is not going to be coming through and that's also what we see today in our business.

So the cost base is expected to be slightly up. We are looking at selective investments, mainly in people and marketing, because I already made the point of footprint of our network, it's pretty extensive. We have lots of square meters left open in the branches where we are and when we see the network expanding it will mostly be inhouse services.

And as I already mentioned, if you zoom into Germany, you see the East German market being ahead of the German growth, and that is typically a market where we already have started to look at expanding the number of people and also investing in marketing in order to enjoy the opportunities in that market. So we continue to preserve the network and the commercial power in areas where revenues are still negative. We don't feel this is the right moment in time to cut further. We'll try to keep it in place in order to enjoy the expected, the anticipated growth.

That completes the analysis with the summary on 25 of the performance in the first quarter, and we'll now move to Q&A.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions] And our first question is from Teun Teeuwisse from Fortis Bank, Netherlands. Please go ahead.

**<Q – Teun Teeuwisse>**: Thank you. Good morning, gentlemen. First of all, a question on your tax rate. You had a 27 to 30% tax rate for this year, and please help me out on this. So what I do take is profit before tax minus amortization and apply that tax rate to it, and then the amortization will still be deductible at 31%?

**<A>**: I mean, the rate that we supply is the underlying rate, so if you just apply on the profit before tax, before amortization that brings you to EPS.

**<Q – Teun Teeuwisse>**: All right.

**<A>**: So it's less the amortization offset. If you included this, still the 31%.

**<Q – Teun Teeuwisse>**: Okay.

**<A>**: And the change is only related to France, so nothing changed to the rest of the underlying assumptions.

**<Q – Teun Teeuwisse>**: No. That's clear, but, all right. And then on your operating expenses, you already made some remarks on it, especially, on the branches, it's sufficient to deal with the first phase of growth. But do you expect the number of branches to increase going forward, or do you think that it will remain stable in most of your mature markets?

**<A>**: [inaudible]. The numbers of branches will increase, but that will be – mainly be inhouse branches, so we don't plan to expand the regular branches today.

**<Q – Teun Teeuwisse>**: Okay. And, for example, merging branches?

**<A>**: Yeah, we've done that. I mean there was some sort of necessity to do that, getting minus 30%. We had so – we've done that in places where it made sense.

**<Q – Teun Teeuwisse>**: Okay. And that's not something you plan to do going forward?

**<A>**: No. There might be some incidence, but that's not something that we have in our policy now.

**<Q – Teun Teeuwisse>**: All right. And then on the people and marketing where you may invest selectively. Can you indicate in what regions you expect first investments to be needed?

**<A>**: Yes, it is the usual suspects, obviously, where we have been rebranding, but in general, as you know, we like a healthy level of marketing spend. We have been a bit under that level last year and we are back to that level again for this year.

**<Q – Teun Teeuwisse>**: And you have not been back at that level in the first quarter?

**<A>**: Almost.

**<Q – Teun Teeuwisse>**: Almost. All right. Thank you very much.

Operator: Our next question comes from Mark de Boer of RBS. Please go ahead, sir.

**<Q – Mark Pieter de Boer>**: Gentlemen, good morning. It's Mark from RBS. Two questions. First, on your interest and the potential opportunity for hedging Robert-Jan. I think in the past you have been indicating that if you were seeing markets getting better, you would reconsider. Can you update us on this?

And then secondly, looking at the impact of the law change in France on your gross margin, it's around 30 basis points. Can you split that up over the debt margin and the mix impact, et cetera, so that we have an idea where we should adjust the gross margin for, for this impact? Thanks.

**<A – Robert-Jan van de Kraats>**: I'll take your second question, first. [inaudible] is going to respond to that one.

**<A>**: I mean, we have excluded it in the analysis. So it's not included in the debt margin, where we had given the pressure of 110 basis points on the debt margin that excludes the impact from France.

**<Q – Mark Pieter de Boer>**: No, I understand. So, I mean like-for-like, I mean that would have been down 1.4%?

**<A>**: No.

**<A>**: No, it's not in there, Mark.

**<Q – Mark Pieter de Boer>**: Okay. So --

**<A>**: So we made the calculation already, you want to make now. You don't have to do it, we did it before you. We're the service business.

**<Q – Mark Pieter de Boer>**: Yeah.

**<A – Robert-Jan van de Kraats>**: And your first point about the interest, a policy of Randstad, we said we will consider it carefully. But the policy is not to hedge. And we'll think it over a couple of times every year. If that continues to be [inaudible] and the conclusion is, it is still the right policy, and by the way the -- let's say the size of the net debt, if we do see continued growth going forward, makes the challenge a lot smaller, going forward. So no change to the policy, let me be clear.

**<Q – Mark Pieter de Boer>**: Okay, clear, thanks.

Operator: Our next question comes from Toby Reeks from Merrill Lynch. Please go ahead.

**<Q – Toby Reeks>**: Hi, guys. A few questions, if I can. The first is on -- I think average head count was down about 3% sequentially versus Q4, but SG&A was flat. Can you sort of just talk about SG&A and head count and how you think that might sort of move going forward?

And then secondly, just looking at the margin target that you gave at the Investor Day or scenario analysis. The 2010 growth of 5% had an EBITA margin of 4%. Is that something you guys are going to stand by.

**<A – Robert-Jan van de Kraats>**: No, these were very -- these were scenarios -- I am going to answer your last question first. These scenarios we shared were theoretical, requiring equal growth across the board and that's by no means what we see today. But it was just an indication to show you what the options could be, and is very much depending on the trends we see in the market.



<A – Ben Noteboom>: First question is easy. What we see is that – see we have more companies above budget. We need to provide for more bonuses, commissions, so that explains an increase in salary costs. We had a few exceptions in that, but that's minor.

<Q – Toby Reeks>: Okay, guys. Thanks.

<A – Ben Noteboom>: So the better we performed, the more expensive it will be and we will be more than happy to pay that.

Operator: Our next question comes from Jaime Brandwood from UBS. Please go ahead.

<Q – Jaime Brandwood>: Morning. I had two questions as well.

First question, just on Germany, I think you mentioned you have now no workers yourself on Kurzarbeit within your staffing operations. Can you talk a little bit about your German customer base and whether they still have any Kurzarbeit workers left, and therefore started hiring temps again, or whether they've been hiring temps before actually taking their own workers off of Kurzarbeit? What the dynamic is there?

<A – Ben Noteboom>: Yes, both situations occur in the market. So we do have – we do see some that take flex workers, because once you take somebody out of Kurzarbeit, you can't put them back again. So they are still a bit hesitant about how sustainable this development obviously is, and that's why they are more careful.

But also many companies have taken people out of Kurzarbeit, and my guess is it won't take long before everybody is out, because market is really improving so fast, you can't imagine that we will have a lot of Kurzarbeit going on in the near future.

<Q – Jaime Brandwood>: And Ben, on that point, I mean one of your competitors in Germany was saying that actually it isn't so difficult to put workers back on to Kurzarbeit if you bring them out of Kurzarbeit. But you are saying it is difficult to put them back?

<A – Ben Noteboom>: Yeah, it is difficult.

<Q – Jaime Brandwood>: Okay. And then the second question, just on your permanent recruitment activities, and I think you mentioned plus 5% year-on-year in March, and I think for France, specifically, you mentioned plus 50%.

<A – Robert-Jan van de Kraats>: Yes.

<Q – Jaime Brandwood>: Can you give us some regional detail in some of the other main countries as to what's happening with perm?

<A – Robert-Jan van de Kraats>: North America is a plus single-digit figure. Same goes for the U.K. And France is the only one which is very high. And the Netherlands, of course, still seriously down.

<A – Ben Noteboom>: Yeah. And all the others are relatively small amounts in these activities.

<A – Robert-Jan van de Kraats>: And I think in France it's also very much [inaudible].

<A – Ben Noteboom>: Italy also has a big growth, but talk about a few hundred thousand euros.

<Q – Jaime Brandwood>: So, I mean, if we look at the momentum in perm as a whole, I mean, you have gone from sort of minus 19% in January to plus 5% in March, which is much stronger

than the momentum in the overall business, the whole group if we look at January, minus 5 and then March plus 4. So are we getting to a point now where you think maybe in Q2, the perm business is up a lot more than the temp business, and therefore we start to see a positive effect on your gross margin?

**<A – Ben Noteboom>**: Yeah, that could happen, but you should also take it into account, of course, that it looks as if that market is recovering a lot more. But you should look at the geographical spreads. The importance of the U.S. and U.K. market is of course, very, very big on permanent placements, so that's why it makes sense that that will be above average on growth because those regions have above-average growth.

**<A – Robert-Jan van de Kraats>**: Yeah, we are comparing against a decline last year of more than 50%.

**<Q – Jaime Brandwood>**: Yeah. All right. Thanks a lot.

**<A – Ben Noteboom>**: Thank you.

Operator: Our next question comes from David Tailleir from Rabo. Please go ahead.

**<Q – David Tailleir>**: Yeah. Good morning, gentlemen. A follow-up on the margin target presented last year. Can you, let's say, put in a different way. Could you confirm that if you would arrive at around 10% sales growth in 2010, that you will be very close to the 4% margin for the full year?

And then maybe some clarification on the SG&A, slightly up, is that slightly up meaning a couple of millions or couple of percentage versus Q1? Thanks.

**<A – Ben Noteboom>**: Yeah. The first question is easy, David. I'll take it. The more growth, the more likely these will make more profit.

**<Q – David Tailleir>**: It's a very easy answer then?

**<A – Ben Noteboom>**: Yeah, but it's true. I mean, whether it's at 12 or at 9 or at 14%, I mean that would be a little bit too much detail, because it would also depend obviously on the spreads, where would we see the growth. But for sure we are moving in the right direction.

**<Q – David Tailleir>**: Yeah.

**<A – Robert-Jan van de Kraats>**: SG&A growth is indeed expected to be sort of limited at the very beginning. We are using over-capacity in quite some countries still today, whereas, as I explained in Eastern Germany, we have now embarked upon the next phase of selective investments. And that means that for the next quarter we're not going to see very significant investments. It will again be bonuses and commissions and some investments in people.

**<Q – David Tailleir>**: Around a couple of million then and a couple of percentage points?

**<A – Robert-Jan van de Kraats>**: Yeah, I think so.

**<Q – David Tailleir>**: Okay. Thanks.

Operator: Our next question comes from Arun Rambocus from Kempen. Please go ahead.

**<Q – Arun Rambocus>**: Yes, good morning, gentlemen. One question from my side. Just looking at the Dutch market, I'm noticing a 10% sequential decline in Q1 versus Q4. What is your

assessment on it bettering? Because it's clearly worse than what you typically would see Q1 versus Q4.

Was the weather a negative impact in the first quarter? And if that was the case, if you strip that out, what would the true earnings power be of the Dutch market? Was it somewhat understated by the weather conditions in Q1? Thanks.

**<A – Ben Noteboom>**: Arun, I think that the sequential decline is – 10% is actually lower than the average we normally have in a stable market.

**<Q – Arun Rambocus>**: Well, in Q1 '08 versus Q4 '07, you have minus 7.5%, so that's the only comparable that I have in a normalized year?

**<A – Ben Noteboom>**: Yes, we're supposed to look at the growth we had in that quarter. And if you look at the distribution of revenue, then I would expect the gap to be at least 10%, and normally even up to 15 between Q4 and Q1. The weather had some impact, but it's not material. It's not very big.

**<Q – Arun Rambocus>**: Okay. Thank you.

Operator: Our next question comes from Frank van Wijk from SNS Securities.

**<Q – Frank van Wijk>**: Good morning, gentlemen. A couple of questions, please.

First on Yacht, can you give the trends through the quarter and elaborate some more on the different segments, besides the public segment?

Can you also give some information on the development at the public area in France, how you're doing there, and what your feeling is in – with respect to gaining market share?

And finally, cross-selling opportunities between [inaudible] and Randstad. I mean, clearly the cost side, you have covered well. Now markets start to grow again. Where do you expect to see the first cross-sellings? Is it still visible, or can you elaborate some on that please?

**<A – Robert-Jan van de Kraats>**: Okay, Frank, your first question was with regards to Yacht, how did it perform through the quarter. I would say it's the most late cyclical part of a late cyclical market, and that means it's negative as we've shared with you, and it's sort of stable at a level through the quarter.

If you look at the segments, there's a different pattern. Any business that is related to industry shows an improvement, like the businesses we have in the south of the Netherlands, and typically clients like ASML are showing a different pattern here, a better pattern than the business in the other segments in the – like HR or finance.

**<A – Ben Noteboom>**: On the public sector, not a lot has changed since we talked about it last time, two months ago. Of course, as we said, that is a process that will take time. We are working hard on it. And I don't even know the exact revenue number today, I must say, but I don't think in that respect that will change compared to when we discussed about it last time.

Cross-selling, that actually has never stopped. We have initiated many cross-selling initiatives. The biggest marginal effect on that obviously is in areas where we have many different operations that in the past never talked to each other. For example, in the U.S., we launched a program called program called The Force of One, I think, 6 months ago, 7 months ago, with huge success, where actually people from the [inaudible] companies jointly found out that [inaudible] they could help each other.

I can't quantify how much that result is, but it has been an ongoing process also in the downturn. It hasn't changed.

**<Q – Frank van Wijk>**: Okay. I'll come back on France, please. When do you expect a more robust – or that is more quantifiable, the impact of the public area?

**<A – Ben Noteboom>**: Yes, we can't quantify it now. I just don't know it by heart.

**<A – Robert-Jan van de Kraats>**: We did share that with you in the Investor Day presentation in France, and I think we made an – we did make an analysis of that. And I would refer to the website for the presentation.

**<A – Ben Noteboom>**: Indirectly we do have business with the government, of course. We can check and get back on that.

**<Q – Frank van Wijk>**: Okay. Thanks.

**<A – Ben Noteboom>**: We have it, but again, I don't know it by heart [inaudible].

**<Q – Frank van Wijk>**: Thanks.

Operator: Our next question comes from Konrad Zomer from Cheuvreux. Please go ahead, sir.

**<Q – Konrad Zomer>**: Hi, good morning. Konrad Zomer, Cheuvreux. Two questions.

First, on the overcapacity in your network, you've elaborated a little bit on selective investments, but could you give an overall number, what you think the current overcapacity is?

And the second question is on the exit rate in March. I missed the number you mentioned for France, so maybe if you could repeat that that would be great? Thank you.

**<A – Robert-Jan van de Kraats>**: The exit rate for France in March was 7%.

**<Q – Konrad Zomer>**: Thank you.

**<A – Ben Noteboom>**: Overcapacity, I would say – well, again, it all depends on the spread, where you look.

On average, I would say we would be – we should still be in the range of 20-25%. Plus again, also Q1 is a slow quarter, so – and we compared it to the actuals for the year, when we said 30% overcapacity. So there is still quite a lot of overcapacity left, I would say.

**<Q – Konrad Zomer>**: Okay. Thank you.

Operator: Our next question is from Thijs Berkelder from Petercam. Please go ahead.

**<Q – Thijs Berkelder>**: Yes, thanks. Three questions from my side. Corporate employees in France and Netherlands on average were sequentially down from Q4. Can you maybe tell us what the year-end number of corporate employees was in France and Netherlands?

And related to that, when looking at, let's say, the strong growth now in France, will we see the number of corporate employees rise in France again in second quarter?

Next question is other Europe, can you maybe give a bit of flavor on what is happening in Italy and the margins there, versus the other operations in other Europe?

And finally, corporate expenses, they still seemed rather depressed or low. Can you give us a bit of flavor on what we can expect there to happen in the coming quarter?

<A – Robert-Jan van de Kraats>: Okay. Thank you. First question about the corporate employees, I think it's in the annual report, but we'll provide that after the call.

<A – Ben Noteboom>: Corporate expenses. [inaudible]. Which ones do you mean, overhead?

<A – Robert-Jan van de Kraats>: Thijs, can you repeat that question about corporate expenses?

<A – Ben Noteboom>: Thijs is gone.

<A – Robert-Jan van de Kraats>: Thijs?

<Q – Thijs Berkelder>: Yes, do you still hear me?

<A – Robert-Jan van de Kraats>: Can you repeat the question about corporate expenses?

<Q – Thijs Berkelder>: Corporate expenses in Q1 were down 10.6 million. Can you give us a bit of flavor on what we can expect there for the remainder of the year?

<A – Robert-Jan van de Kraats>: Well, I see. Let me deal with that question first.

I think that's very much in line with the previous discussion. We expect to see selective investments, and that means it will go up slightly as a result of those investments, as a result of commissions and bonuses being paid. And at the same, we're trying to use the overcapacity in the system wherever we can. And that will result in a slight adjustment – in a slight increase of the operating expenses going forward.

<A – Ben Noteboom>: Exit rate in Holland were about 5,500 and in France, 3,900 employees.

<Q – Thijs Berkelder>: Other Europe?

<A – Ben Noteboom>: Italy is improving. You asked about Italy specifically, right?

<Q – Thijs Berkelder>: Yes.

<A – Ben Noteboom>: Yes. In March, we were at about zero compared to last year, so [inaudible] is improving.

Spain, we shared, plus 12% in March, doing well. And Portugal, double-digit growth, has been doing well through the crisis, really impressive performance with a plus 15 in March.

Greece growing something like – I'm not sure, anything between 50 and 100% but won't have a material impact. Turkey growing over 100%. And what else is out? Hungary, over 100%. But again, it's all very, very small. And, of course, the Nordic is doing very well also. Norway, Sweden, Denmark.

So many of the small countries are really showing very, very high growth numbers.

<Q – Thijs Berkelder>: Can you give me then, let's say, the March growth rate for other Europe?

<A – Ben Noteboom>: Other Europe, I don't have it here. We'd have to calculate that.

<A – Robert-Jan van de Kraats>: No, but it's also -

<A – Ben Noteboom>: [inaudible]. If you take a weighted average, and Poland is of course the biggest in number of employees, and they are growing over 30%.

<A – Robert-Jan van de Kraats>: So it's at the high end of the range that we provided to you.

<A – Ben Noteboom>: Yeah.

<Q – Thijs Berkelder>: Okay. Very good.

Operator: Our next question comes from Margo Joris from KBC Securities. Please go ahead.

<Q – Margo Joris>: Good morning, gentlemen, Margo Joris, KBC Securities. My first question is about the secular growth you mentioned in the press release.

Could you tell me which countries you have seen the month-over-month improvements on the sales? And then my second question regarding the in-house business in the U.K. So you mentioned there a strong pipeline of new clients.

Is it a result of openings of new in-house branches? And what's your strategy going forward in this respect? Are you increasing your branches further? Thanks.

<A – Ben Noteboom>: Yeah, on the second one, indeed, in-house U.K. shows an enormous growth. Really, really very, very big, with many new client wins.

And actually, we talk about cross selling. A part of that is caused by the fact that we have [inaudible] management team to open up a new client. So in that respect, we will keep on opening in-house branches for sure. But of course, you open a branch like that after you've gained a business, so that helps a lot on the cost.

<A – Robert-Jan van de Kraats>: With secular growth in our press release, we are referring to the fact that this is a more fundamental kind of growth. It is where clients are building more flexibility in their system and as a result of that that has impacts on the business trends in our sector. That's what we're referring to.

<Q – Margo Joris>: Okay. Thank you.

<A – Robert-Jan van de Kraats>: Thank you.

Operator: And now, we'll take our final question from David Hancock from Morgan Stanley. Please go ahead.

<Q – David Hancock>: Thanks. Just a couple of – the first one, to pick up on that last point about clients wanting to build more flexibility into their workforces. Does that feel very different from the last time you were in a recovery situation, where clients not at that point also saying that they want more flexibility and then as confidence in the recovery improves, they start to forget about that. Do they feel very different this time?

<A – Ben Noteboom>: Yes, it feels the same, only more of it, because, I mean, the harder you get hit the bigger the shock and the longer the trauma will last and that's what we expect. But in time indeed people will go back to more confidence. But then still everybody – as we've seen, of course, and that's one of the reasons penetration went up that much, is that companies do have a policy or

a strategy to have a reasonable big flexible layer in their organization, because even in a stable economy the demand is not equally spread through the week, through the month and through the year. So the penetration will still go up.

**<Q – David Hancock>**: Okay, great. Thanks. And the second was on interest charge, it seemed to be down quarter-on-quarter by more than I would attribute to the reduction in debt. Is there anything else in that interest line that is causing it to be so low in Q1?

**<A – Robert-Jan van de Kraats>**: Yeah, there's a lot more in that interest line, it also includes the amortization of cost related to setting up the structure in the past, but also to the valuation of positions like the put options for the minority interests. So it's a back of some elements, more than just the interest charges that we're paying on the syndicated loan, which are obviously a lot lower than last year due to the fact that the syndicated loan, that the net debt is much lower than it was.

**<Q – David Hancock>**: So is a, sort of, 6 million quarterly run rate a sensible rate to assume for the rest of year, or did you have some revaluation benefits in that?

**<A – Robert-Jan van de Kraats>**: Yeah, it's hard to say, because it depends on the interest developments when, again, revaluating those liabilities that I was just referring to.

**<Q – David Hancock>**: But I mean is it right to assume that there – on aggregate, it will be a few million in cost per quarter before we start paying interest?

**<A – Robert-Jan van de Kraats>**: Yeah.

**<Q – David Hancock>**: Okay.

**<A – Robert-Jan van de Kraats>**: The underlying interest cost will be a few million per quarter.

**<Q – David Hancock>**: Okay. Great. And then the very last, almost just on the French tax and a modeling question. Manpower said to take 85% of the revenue and tax that at 1.5% that gets you 8.2 if you do it on Q1 this year. Is that therefore the right formula to use that you guys were actually

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**<A – Robert-Jan van de Kraats>**: Correct.

**<Q – David Hancock>**: Perfect. Thank you.

Operator: That would conclude today's question and answer session and I would like to turn the call over again to Mr. van de Kraats. Please go ahead, sir, for any additional remarks.

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**Robert-Jan van de Kraats, Chief Financial Officer and Vice-Chairman**

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Well. Thank you very much for joining us for this call and we're looking forward to meet you again in the – in July when we will be announcing our second quarter results.

Thanks. Bye.

Operator: This will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.

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