PARTICIPANTS

Corporate Participants

Robert-Jan van de Kraats – CFO & Vice-Chairman Executive Board
Ben J. Noteboom – Chief Executive Officer & Chairman Executive Board
Jacques W. van den Broek – Member Executive Board
Jan-Pieter van Winsen – director Investor Relations

Other Participants

Robert J. Plant – Analyst, JPMorgan Securities Ltd.
Konrad Zomer – Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)
Teun Teeuwisse – Analyst, ABN AMRO Bank NV (Broker)
Jaime K. Brandwood – Analyst, UBS Ltd. (Broker)
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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Randstad First Quarter Results 2012 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to CFO, Robert-Jan van de Kraats. Sir, you may begin.

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

Thank you very much. Good morning, ladies and gentlemen. Welcome to the Q1 2012 conference call of Randstad Holding. Our team at this side consists of Ben Noteboom, Jan-Pieter van Winsen. And we have various other colleagues to support us, various experts as well. I'm going to take you through the presentation, a couple of slides to elaborate on various issues. We'll deal with performance, the financial results and the outlook, and then we'll move to Q&A. I will finish at 11:00 Central European Time.

I'm moving to slide five right away, where we show you the diverging trends that do continue in our markets. And please note that in Q1 2010, following the difficult year of 2009, we did see growth restarted for the Group as a whole. And in Q2, Europe clearly contributed to that as well in 2010. And now, we are just a bit more than one-and-a-half years down the road, and we do see growth in the U.S. continuing both in blue collar and admin, but also in the professional segment, including search and selection. In Europe, however, we do see a decline across the board in the various countries.

And as you can see in the slide, in the graph in the upper right corner, these are the markets in which we operate, the black line, North America, continuing to do well and actually improving similar to what we see at Randstad in the slide down in the right lower corner. But across the board, we see some slowdowns. This is by no means comparable to the trends that we have seen moving from 2008 into 2009 falling from a cliff.

I'm moving to slide six. And we didn't have to take much time to think about the header for the press release. Growth is holding up. That clearly is the conclusion from the first quarter. Revenue amounted to a bit more than €4 billion, which is roughly flat compared to last year. And then please note, if we look at the various months in the quarter and that we did see a slowdown last year from February into March. Last year, the full quarter was organic growth per working day just north of 15%, so the comparable base is challenging here, but we also did see growth declining from February to March by 2%, which is roughly the same development as we see in this quarter. So, effectively, one could say it's flat.

North America moved from 6% in Q4 to 8% in Q1, and I'll get back to that. And this is our largest market now, so that is extremely helpful to the Group. Europe moved from 3% in Q4 to minus 3% in Q1 and the rest of the world moved from 4% in Q4 to 5%. And this is somewhat supported by the unfortunate event last year, the earthquake and Tsunami in Japan in March 2011.

The gross margin moved from 18.1% on a reported basis to 18.0%, but on a pro forma basis, the gross margin would have been 18.3% because SFN adds 20 basis points to the group. So the temp margin is down 30 basis points year-on-year. And I'll get back to that as well.

Operating expenses amounted to €638 million, which is roughly flat compared to last year. And please note that wage inflation in the various countries amounted to roughly 2% on average. The number of FTEs was reduced by 3% sequentially. Some of that reduction is the result of disposals, but the majority is adjusting to the actual trends in our business.

We also absorbed some integration costs, as you can read in our press release, roughly €6 million related to the integration of SFN, severance, rebranding, closure of offices and IT integration. And we also recorded roughly €4 million of synergies. EBITA moved from €109 million to €110 million, and a margin that moved from 2.9% to 2.7% this year. And that is adjusted for the integration cost that I just mentioned.

Slide seven, the key financial points. The effective tax rate amounted to 33%. That's a result of the mix, a higher contribution from North America where the effective tax rate is around 39%. There are Americans that do really pay taxes. And we are among – we could be amongst them. But our full-year guidance, I should note, remains unchanged. We expect it to be between 29% and 32%.

Slide eight, North America. Our largest operation continued solid trends across the board. We'll be looking at segments in the market, and you'll see the same there. Organic revenue per working day was 8% up. And if we look at it on a pro forma basis, so including the trends of SFN in 2011, then Q1 last year amounted to 15%; Q2, 8%; Q3, 9%; and Q4, 6%; and Q1 is up 8%. So that is the adjusted trend that we do see in United States.

We do see continued strong growth both in Staffing and Professionals, actually Professionals leading the way here. The growth trend in Canada softened somewhat. And perm continue to improve. It was up 16% organically.

U.S. Staffing and Inhouse up 6%. We do see accelerated growth in the Inhouse segment. Admin segment was the main driver. That's not just the market, that's also our defined focus in our business. And we did see very strong growth in our perm business.

U.S. Professionals up 13% per working day, clearly outperforming the market. We do see growth across the board. And we do see a continued double-digit growth in perm, which is clearly the result of dedicated investments in the company.

EBITA margin moved to 2.4% compared to 2.2% last year. On a pro forma basis, Q1 2011 was 1.8%, given the fact that the SFN contribution comes in with a somewhat lower EBITA margin. And in the meantime, we've made additional investments in recruitment process, outsourcing. And, of course, this growth also comes with higher commissions paid to personnel. Synergies are on track, $4 million in Q2, but I'll get back to the integration.

On the next slide now, that's 9, SFN integration is well on track. If you look at the physical integration of Staffing, that has started. The integration of Professionals has been moved forward a little bit from Q2 to Q3, and this is due to our objective of careful IT integration. This has some impact also on the realization of the synergies. But it is our focus to be careful when integrating IT in the company. The integration cost amounted to €6 million. We're now at €19 million over an accumulated basis. We expect the full amount of synergies to be materials – materialize in the course of 2013. And the synergies, as mentioned, are €4 million. And on the right-hand side, you can see the breakdown of the annual synergies, $40 million cost synergies annually and $10 million tax savings.

In France, on slide 10, we are gaining market share, but we did see here quite a shift in the market plus 5% in Q4 and minus 5% in Q1. We continue to gain market share, but we do see both Staffing and Professionals slowing down. The drivers in our business in Staffing are clearly automotive and manufacturing. And we do see continued strong growth in Inhouse.

The continued focus on client profitability that we announced last quarter has some impact, but still limited, but we'll continue to focus on profitable clients. So we might see some more impact going forward. The EBITA margin moved from 2.1% to 2.0%. The blue collar segment is clearly the main driver here. We also see a higher share of large clients in the revenue mix, which has some impact on all lines of the P&L. And we also see slightly higher wage taxes in France. We have refined our calculation method of the subsidies, which have been adjusted and the impact started late 2010. During 2011, we've looked at how to calculate the subsidy allocation in the right way. And we have made some adjustments, which have an impact of roughly 0.4%. We expect some more impact of that in Q2. And then in Q3, we'll see a beneficial impact, as in Q4. So across the year, there will be no impact on an accumulated basis.

The Netherlands, slide 11, a mixed picture. Revenue, down 2%, compared to 3% growth last quarter. We continue to see market share gains in Randstad, and also, Tempo-Team has closed the gap more. And we do see them performing well in the blue collar segment. Revenue declined as Europe remained stable at a low single-digit rate.

And that brings us to the next point, public-sector-related business up. Strong growth at Randstad. That's what we do see. The – and the impact of the public sector on our business is positive in this context. And that is mainly the result of the fact that we provide many hands to the public sector. So that is extremely helpful. In the Professional segment, that's still more difficult.

Growth in the private sector is down 3%. In Q4 we did see a 3% growth. And that is a decline in industrial and the technical sectors, which is in line with the market. EBITA margin at 5.7% now, compared to last year's 5.6%. We are in a process of refocusing on client profitability or stronger focus, I should say, on client profitability. We are also exploring some new delivery models for large clients to increase efficiency. Blue collar and payroll services are clearly the main drivers in the Netherlands. The competitive environment, I should note, remains challenging. We do see some competitive pressure, some pricing pressure as well, in the blue collar and logistical segments in the country. We do see a positive contribution from Yacht in this quarter, and the result included a book profit on a divestment – on a small divestment of €2 million.

In Germany, on slide 12, a challenging environment. Organic revenue still up 3%. Last quarter, it was up 8%. But the 3% includes a significant price effect following the changes in the collective labor agreement. So, effectively, pay rate increases. Volumes are gradually slowing down and the seasonal pattern is less visible than normal. Growth in Inhouse remained strong at 13%. And like in France, we do see the automotive and manufacturing as the main drivers of our business in Germany.

The gross margin declined in Inhouse and in Staffing as the result of a higher share of large clients in the overall mix. We also see pricing pressure in the German market. It's a very fragmented market in Germany. And also, the impact of three more public holidays has an effect. And please note that contrary to some competitors, the accrual system at Randstad means that we accrue for this on an average basis. So every quarter we make we accrue for this, so this does not have a specific impact in one quarter.

Idle time is a little higher and you should note that we did see some volatility in our business development through Q1, which meant that we did have some temporary idle time in the first quarter, which had some impact. Not a very significant impact, but certainly some impact. And also, we also some higher salary costs during holidays, which is certain clients are requiring us to pay roughly equal during the holidays, and that has some effect as well.

Professionals continued to be strong, 15% growth. It compares to 13% in Q4. And that is continued growth in our IT Professionals business in Germany. EBITA margin at 4.5% compares to 5.7% last year. And we have embarked upon operating margin improvement program to support the improvements in this margin.

Belgium on slide 13, we did see good performance, but the market was difficult, 6% decline compared to 1% decline in Q4. We see the decline somewhat softening through the quarter. March was a little better, but as we always note, January and February are very difficult months to read given the start following the holidays at the end of last year and the beginning of this year.

Inhouse down 8% against a very strong comparison base. This country was clearly – Belgium was clearly contributing to the 15% growth last year. Solid performance in Human Resource Solutions and the Professionals showed continued growth in Belgium. It's doing rather well. EBITA margin at 4.1%, almost stable compared to 4.2% of last year and good control of cost control was clearly maintained in Belgium.

In the U.K., some signs of improvement on slide 14, signs of improvement. Finally some good news. Revenue per working day was adjusted to 9%, compared to Q4 7%. We have reported minus 3%, and that is due to reclassification of some MSB contracts. We always look and should this be recorded on a gross or net basis and these definitions are very often difficult. As an interpretation, we evaluated the portfolio, and we have concluded that we should make some small adjustments here.

The public sector is stable at 16% negative, roughly similar to Q4 of last year. And please note that public sector was a very significant part of our business, and we made a significant part of our business in the U.K., but it's a lot less than it was before. It was north of 30%, and now it's just north of 20%.

Our Professionals business in the U.K. is gradually strengthening. We do see good performance in finance and engineering and education, which is an important growth contributor to profitability, is improving. Inhouse is at minus 10%, which compares against the strong comparison base. But I should point out here also it is also the result of our continued focus on client profitability. We have not been able to generate profit out of some contracts. And as a result of that, we have terminated some of those contracts.

Permanent fees are minus 19%. In Q4, they were negative 15%. The EBITA margin stands at 0.4% versus 1.4% first quarter last year, but positive territory again. Cost base was adjusted in line with the trends. And we have also optimized our operating model, and are still continuing to do so.

Looking at our segments, slide 15. Staffing, revenues were down 4%, and the industrial segments are the main drivers here. Again, North America doing well. And the slowdown in Europe clearly has an effect here. And the addition of SFN in this segment came in with a below average EBITA margin.

Inhouse, it continues to grow the U.S. – sorry, the U.S., Germany and France are the main drivers here. But against a strong comparison base, we do see increased share of business at existing clients. And this is typically how we develop Inhouse. So we try to convert an existing clients from the Randstad Inhouse and then increase our market share within that client, and clearly successful in that field. We've also transferred some SFN business into Inhouse, and therefore, the adjusted organic growth rate is 5%.

Professionals, growth of 5% led by IT and engineering. Clearly, – well, I already mentioned the impact of the public sector in the U.K. and the Netherlands. And by the way, these countries are the only countries where Randstad has a significant exposure to the public sector. We do see a slowdown in perm fees across Europe in line with the trends that I discussed at the beginning. We do seek – our investments are continuing and the growth accelerator are having impact and the addition of SFN also here with below average EBITA margin.

Revenue development per industry and segment on slide 16, and this reflects the uncertain economic climate across Europe and the, I would say, strong context in which we operate in the United States. So across the board, manufacturing, automotive doing well. IT Services are the main driver in professionals, and that's also what we see in our main countries. [ph] Difficult (19:13) public sector, that are the key developments in the various sectors.

Then the legislative environment, some changes over the last months. In Belgium, we are anticipating the public sector to be opened and broadening of reasons for use, so less limitations here are anticipated. And it's about time. In Italy, in April we did see some changes, which will effectively increase our markets. So reasons for use for target groups have been lifted. But the general labor reform is still pending.

In Spain, the transposition of the agency work directive is partly completed, as you can see at the end of the page here, the ban on exclusivity to be lifted. The review lifting restrictions is pending. And the general labor reform is also still pending.

In Japan, we've had a situation of a potential regulation for quite a while, companies already adjusting to that. We now have a new agency work regulation that will be effective as from October 2012. It will not include equal pay. There will be no total ban on daily contracts, and no substantial changes. However, there will be a review of 26 job profiles. And please note that these job profiles have been existing for decades now, so it is not unexpected that it is time to review those because new jobs have come to the market, given the IT developments.

Then the income statement on slide 18, it summarizes the effects of what I've just elaborated upon. I just like to go to the lower part of the P&L. Amortization and impairment has increased from €41 million to €55 million. That is purely the result of SFN. And that is the purchase price allocation. So the standardized amortization of acquisition related over intangibles. That kicks in here. Nothing special as such.

Net finance income, relatively low again. And please note that both Euribor and LIBOR stand at a level below 1%. Our spread that we are currently paying amounts to 50 basis points over that.

Moving to slide 19 now, the gross margin in Q1 2012, we moved from 18.1%, slightly up to 20 basis points of SFN. On a pro rata basis, a more – a comparable one on a pro forma basis, I should say. And then, you can see that we had a negative impact of 0.3%, 30 basis points in price and mix. The temp margin is affected by ongoing changes in the business mix and margin effects, as I explained, in Germany, in the Netherlands and in the U.K. Permanent fees were 9.9% of gross profit. This compares to 9.6% in Q1 2011. But it also compares to north of 12% in 2007, so still a way to go. These are essential factors that should grow to help Randstad reaching its ambitions.

Selected balance sheet items here, not much special. DSO at 53 days, which is a little lower. It also includes the impact of SFN, but also our ongoing efforts to reduce DSO through our standardized best practice that is being applied across the globe. Leverage ratio, €1.7 million. Banks allow us €3.5 million, but our internal ambition is to be below €2 million. This is in line with what we anticipated when acquiring SFN.

The consolidated cash flow statement, which resulted a free cash flow of €58 million, somewhat less than in Q1 in 2011. And that is clearly the result of two factors. We do see some impact of timing of payments to clients at the end of the quarter that can really change the picture. And this happened again in Q1, and also the payment of income taxes, which was a little higher in Q1 than last year. And that explains most of the gap.

And then you can see at the lower part that the net decreased by €91 million. Translation effects contributed to that, and that is the FX impact on our net debt position, which consists of U.S. dollars, euros and Japanese yen.

Finally, the outlook, slide 22, growth per working day during the quarter moved from 0% in January to plus 1% in March. But again, please note that we did see a slowdown during Q1 last year. The seasonal patterns have remained visible across most countries, but not all. I already mentioned Germany. Growth in North America accelerated. We moved from 6% on a pro forma basis in Q4 to 8%, and we do see a decline in Europe continuing. Operating expenses are expected to be slightly up compared to Q1. It will increase our marketing efforts somewhat. And field steering ensures adaptability, and it should drive productivity. Please note that at Randstad, we do not spend a fortune on planning, but we mostly put our efforts into quickly adjusting to actual trends in the market.

There's one addition here. If you look at the slide that looks at the segments in the various markets which is slide five, it shows a single plus in the U.S. for IT Services, but it should be double plus, which is in line with the statement I've made that this is the key contributor to growth. So not a single plus, please, but a double plus.

Okay. That's it from our side. We'll now move to Q&A, and we'll allow you to ask questions. Please limit your questions to two to ensure that everyone who wants to ask questions has the possibility to ask them. Thank you. Operator, please.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Robert Plant from JPMorgan is on line with a question.

<Q – Robert Plant – JPMorgan Securities Ltd.>: Thank you. My first question is, you've given us the March figure of plus one. Do you have a feeling for what April is at this stage?

And then secondly, France was down by 5%. You've mentioned bad weather in the statement. Do you think there was much impact from the French presidential election? And more generally, do you sense in France some concerns towards the economy, which might be holding the business back? Thank you.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah, the first one. March, plus one, and then your question on April. It's still a little bit too early to inform you about the final number, but the statement we've made in the outlook paragraph is that we do see the trends continuing into Q4. And that's what I like to stick to.

<Q – Robert Plant – JPMorgan Securities Ltd.>: Okay.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Sorry, into Q2. Sorry. Sorry. But it's – overall, and I think that's what you should note, this was an okay-ish quarter, Q1. That's how the board feels about the performance.

<A – Ben Noteboom – Randstad Holding NV>: And the presidential election in France, we don't see an impact. People always talk about impacts, but they are always very limited, of course, in the end.

<Q – Robert Plant – JPMorgan Securities Ltd.>: So has the French minus 5% begun to improve?

<A – Ben Noteboom – Randstad Holding NV>: The minus 5% is the working day obviously, yeah, because it was minus 3% in revenue, which have – the trends have improved. If we look at the monthly, the – if we look through the quarter, then we started the quarter in France with minus 3.5% and then we have minus 5.7%, and then March was minus 4%. So it's sort of flat.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: So at the exit rates for the various countries for your benefit, in March 2012, the exit rates for the Netherlands was minus 1%, for France was minus 4%, for Germany was plus 3%, for Belgium it was minus 3%, for the U.K. minus 5%, for Iberia minus 7%, North America plus 8% and the rest of Europe at minus 5% and the rest of the world at plus 5%. So, as a total, this accumulates to plus 1%.

<Q – Robert Plant – JPMorgan Securities Ltd.>: Thank you.

Operator: Konrad Zomer from Berenberg Bank is on line with a question.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Hi. Good morning. Two questions. First on the integration of SFN, it's quite obvious that things are taking slightly longer than initially planned. Can you give us a feel for what you expect to achieve in 2012 in terms of cost savings? What proportion of the $40 million should we expect for 2012?

And my second question is on Germany. You've given quite a few detailed reasons why the margins were down 120 basis points. But I was wondering if you could maybe give us a bit more idea about the actual trading conditions as they are now in terms of revenues because I think it's slightly worrying for some people that the performance throughout the quarter didn't show a real pick-up towards Q2.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah. Well, the integration in SFN, as we mentioned, it's slightly delayed because we moved the Q3 to be more careful. But I still expect the majority of the $40 million to come in, in 2012.

<A – Ben Noteboom – Randstad Holding NV>: On Germany, I understand the questions about the profitability. Obviously, we're in the process of correcting it. We gave a lot of details in order to help you to understand what's happening. And I'd be very surprised if, over the year, we will not be able to have a significantly better profit in Germany in spite of this first quarter.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Okay. Well, I appreciate that. But could you maybe give us a feel for what you've put in place in Germany? What are the things you are going to change going forward?

<A – Ben Noteboom – Randstad Holding NV>: Yeah. That would actually give away quite some of our strategy, and I'm not keen on doing that. Sorry for that. Obviously, the idle time is one that is something that we've always controlled very well. Actually, it's at a low level, but it did have an impact. And we had quite a volatility through the quarter in Germany that made it difficult to actually adjust fast enough. So we'll make sure we are quicker on our feet there, and that we have some operational things, but I'm sorry I can't share. But it's going to be, again, we'll say it'll be better than what you have seen in Q1.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Okay. Thank you.

<A – Ben Noteboom – Randstad Holding NV>: I'm less worried about that than what you would be based on the Q1 numbers.

<Q – Konrad Zomer – Joh. Berenberg, Gossler & Co. KG (United Kingdom)>: Right. Okay, that's very clear. Thanks very much.

Operator: Teun Teeuwisse from ABN AMRO is online with a question.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yes. Good morning. Teun Teeuwisse, ABN AMRO. A follow-up on Konrad's question. You are, of course, mentioning the margin improvement program in Germany. But am I correct that actually 100 basis points of your margin dropped this quarter is related to the number of public holidays for which you make a higher goals?

And the second question, in your press release, you mentioned the rate of decline that has eased across Europe. But in your presentation, I get a bit of a feeling that you are not very sure about the sustainability of that. Can you give some comment on that, please?

<A – Ben Noteboom – Randstad Holding NV>: Yeah. The public holidays in Germany is 0.7%, the impact.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: But also the pricing, right? It was 0.7% and 0.3%.

<A – Ben Noteboom – Randstad Holding NV>: I can't...

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Sorry, Ben. 0.7% is related to the public holidays.

<A>: Only.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Only.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay. And that is a trend that will reverse next year?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah. We expect to have less public holidays in 2013 again. This is the peak.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yeah. Okay. So, actually, the margin improvement program should only focus on about 50 basis points drop you had in Germany.

<A – Ben Noteboom – Randstad Holding NV>: No. A bit more because next to the idle time, of course, there's also operational things and pricing strategy, et cetera, that we can apply in order to improve the results to start with. And then, there's also something called OpEx, which we're going to influence. So we have the four-range at our disposal to actually disposal to improve.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay.

<A – Ben Noteboom – Randstad Holding NV>: Any other questions?

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: The other question was, well, you mentioned the easing decline across Europe. And here, in your presentation, you don't seem too convinced about the sustainability of that.

<A – Ben Noteboom – Randstad Holding NV>: Of course, as we – what we have seen is that this cycle has been more than average. It's been influenced by euro and political [ph] negotiations (33:20), et cetera. That makes very difficult to forecast what's going to happen with any reliability. So that's why we try to share as much detail as we can. So that's like the March exit rate. And the rates we also shared that April shows the same trends. So that's all we can say for the moment, Teun. It would be very courageous, but potential to be very stupid to try and also forecast further in the future given all these uncertainties, which are not, if you want, basis related.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yeah. No, I understand. Okay. Thank you very much.

Operator: Jaime Brandwood from UBS is on line with a question.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Morning. Just in terms of my first question, I'm trying to understand what you were saying about changing the way you account for the subsidies in France. Were you saying that that was a negative 40-basis-point impact on your margin in Q1, or a positive benefit to your margin?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: A negative in Q1. And I also made – I also stated that I expect a negative in Q2, and then a positive in Q3 and 4.

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

<A – Robert-Jan van de Kraats – Randstad Holding NV>: But no impact for on a full-year basis.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Because I'm just doing some back-of-the-envelope's calculations, but if your revenue in France was down 3%, you had a flat gross margin. And then looking at slide 31, your FTEs were up 2% year-on-year, which probably means your

SG&A in France was up year-on-year. How is it that your EBIT margin in France was down only 10 basis points if you already had a 40-basis-point drag coming from the subsidy situation?

<A – Ben Noteboom – Randstad Holding NV>: Because that's not the only variable obviously.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: There must be some other – so, what are the other variables?

<A – Ben Noteboom – Randstad Holding NV>: Yeah, sorry, but it has to do with the pricing, with mix. It's all of the normal business elements that kick in there.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: But the pricing, I mean, as I say, you said your gross margin in France is flat according to the press release. Maybe that was a comment on a like-for-like basis or something.

<A – Ben Noteboom – Randstad Holding NV>: And then last year we had quite a high marketing spend because of the rebranding that continues that was less this quarter. So it's all the elements in the P&L, and this sounds more specific.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: And price increases in that basis upon last year compensating for the subsidy decline.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: All right. Okay. I bet maybe I can follow up with you on that one. And then, second question, can you give us a little bit of color, you mentioned in the press release that some of the countries like the Netherlands, and particularly Germany, are still seeing gross margin pressure. I guess that's the comment about the underlying competitive environment. Can you give us a little bit of a feel for how you see the gross margin trends evolving particularly on those two countries, the Netherlands and Germany?

<A – Ben Noteboom – Randstad Holding NV>: That's a bit early, obviously, because we're just three weeks after the quarter.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Yeah. I mean, just generally, what's driving that additional pressure versus last year?

<A – Ben Noteboom – Randstad Holding NV>: I think it is the same. What we always see is there is some pressure on volume, then you see that the market got a bit more price sensitive, especially competitors. I think it's what we always see. And of course, this time since the cycle hasn't gone through the whole loop, we didn't get long enough into growth to actually see the increase in margins, which we usually see the volumes started to pick up. And now we see decline again, and that has an effect in these markets, especially the large contracts.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Sorry, I know this is almost the first question. Can you just remind the guidance that you gave in terms of your scenario building? I believe you'd said that if you suffered up to a 5% revenue decline – I'm sorry, I think you said if you maintain a flat revenue this year you'd still be able to increase your EBIT margin. Do you still stand by that view?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: That is a fair question, and that's also one that we are clearly looking at. The underlying assumption was normal development of our business, normal patterns. And what we do see is that we do see growth continue in the U.S. and decline in Europe. And the contribution of profitability from the European businesses is much bigger than the rest of the world, so to speak. So it's the mix that clearly has an impact here.

And it's unavoidable that in the end it should improve. And as a result of that, we should again achieve that. But for now, we have a disadvantage here clearly.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Okay. But it was previously your scenario that flat revenue would equal margin up, and now you're sort of saying is a little bit tougher because of mix.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah, because flat means that we did expect flat across the board. And now we have growth in one side and we have decline in Europe.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Yeah, okay. That's clear. Thanks very much. Thank you.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: And, Jim, please note Q1 is the weakest quarter of the year.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Of course, yeah, of course, yeah.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: And that's also because of the relatively small profitability, the most sensitive one.

<Q – Jaime Brandwood – UBS Ltd. (Broker)>: Yeah, absolutely, yeah. Cheers. Thank you.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah.

Operator: Margo Joris from KBC Securities is on line with a question.

<Q – Margo Joris – KBC Securities NV>: Hi, gentlemen. Marco Joris from KBC Securities. I have two questions please. The first one is given the current sales rents you are seeing, how has the steering of the company changed in recent weeks?

And then a second one is a follow-up question on what you just said on Germany. Do you expect to achieve a better EBITDA margin or do you mean a better absolute EBITDA, EBITDA number in 2012 versus last year?

<A – Ben Noteboom – Randstad Holding NV>: Last year is a long call. And what we said is that we would improve – expect to improve considerably compared to the Q1 result. We're not going to forecast the full year yet, unfortunately. That's not possible. And the trends we shared there, we shared that the trends continued into April. But it's only a couple of weeks, which we have, of course. That's all we have available today.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: And Margo, steering the company, it hasn't changed. We have explicitly discussed with all of you our steering model, our field steering and that both works in an upside scenario as in a downside scenario. We just made the point last time, and that's still applicable here, that we have clear growth. It's a lot easier to make the right decisions if you have clearly declined. It's a lot easier. It's painful, but it's a lot easier to make the right decisions. And if it's sort of hanging there, that makes it a bit more complicated, a bit more complicated. And that's the situation we continue to be in.

<Q – Margo Joris – KBC Securities NV>: Okay. And then regarding the step-up of investments in marketing, where do you focus on?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: That's across the board. That's not a specific focus. And in these difficult times, marketing expenses should be continued because it secures the future of the company. So we are very reluctant to take out too much here.

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

<A – Robert-Jan van de Kraats – Randstad Holding NV>: It's more or less a difficult pattern. It's timing of our expenses.

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

Operator: Marc Zwartsenburg from ING is online with the question.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Yeah. Good morning, gentlemen. First of all, I have to follow-up on the Germany thing, Ben. I also thought you said, and I quote you that you "expect a significantly better provident for the full year despite Q1." Later on, you say, "I expect the margins to return." So basically you don't expect to recoup what you've lost in the first quarter in Germany. Is that correct?

<A – Ben Noteboom – Randstad Holding NV>: Marc, no. Then I wasn't clear, Marc. My apologies. I wasn't saying that we would have a considerable, higher profit than last year as a percentage. What I was saying was – and, of course, Q1 was considerably lower. And what I said is that we would be a considerably better the rest of the year compared to the gap we have now.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: But what does that really mean, better the rest of the year?

<A – Ben Noteboom – Randstad Holding NV>: It means that I'm not one to forecast that we would actually have a higher profit as a percentage than last year. But this quarter is low, and the gap in comparison is going to get a lot smaller.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Okay. So, in absolute terms, it should – it could still mean that you can reach the last year's number.

<A – Ben Noteboom – Randstad Holding NV>: It depends on top line, of course. Yeah.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Okay. And then on your SG&A guidance, you're guiding for a slightly higher SG&A in Q2 versus Q1. How should I see that because your top line is still going down a little bit in Europe? The trend is plus 1. You've got some rate inflation. Shouldn't it be that you trim your SG&A to keep your margins up because to me it seems that you might have some pressuring in margin also with the gross margin trend still going down.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah. With the current trends market, this is a margin – these are marginal issues. And as you have seen in Q1 compared to Q4, we have taken out personnel. Our total FTE number has reduced by 1,000, mostly by natural attrition or by natural attrition, I should say. But it is the timing of our marketing investments and the seasonality of our business that drives this tiny increase that we are anticipating here.

<A – Ben Noteboom – Randstad Holding NV>: We always have a bigger volume in Q2, of course.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Sorry?

<A – Ben Noteboom – Randstad Holding NV>: It's more an increase in cost, of course, with the normal seasonality where we have a considerably higher revenue in Q2, of course, also helps.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Okay. So basically, that you're also investing in marketing, and that cost base might be slightly up. It means that your steering model is telling you that?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: There's still growth out there.

<A – Ben Noteboom – Randstad Holding NV>: Again, if we nearly look at the normal distribution of our revenue in Q1, it's the lowest quarter. Q2 is higher, considerably higher sales than in Q1. So that helps.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Yeah.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: But we'll continue. If we have volumes going down, we'll continue to make adjustments in that field.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Okay. All right. Thank you.

<A – Ben Noteboom – Randstad Holding NV>: Thank you.

Operator: Arun Rambocus from Kempen is online with a question.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: Yes. Good morning, gentlemen. Let's start again with the gross margin. How should we read the comments made in the Netherlands and Germany about, well, pricing pressure to the comments made at the full year results when I believe you mentioned that the pricing had been stable in January 2012? That's the first question.

And the second question is about North America. I think yesterday we heard from Robert Half that the Professional Staffing business accelerated for their business mix in the U.S. Can you confirm that the Professional business is still sort in an accelerating trend while general staffing is sort of topping?

And maybe I can sneak in a third question that's on Tempo-Team. Do you also see a recovery within the Tempo-Team label at their government? And also can you shed some light on how Tempo-Team is closing to get towards the market? How far are they from the market? Thanks.

<A – Ben Noteboom – Randstad Holding NV>: Yeah, the last one is only a few percent, so the gap is really small. And we'll also expect, by the way, to look more on the profitability at the moment as we've got quite a few other labels than with market share because we're almost 1% or 2% up or down on the market, really not a big invest to me.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: Okay.

<A – Ben Noteboom – Randstad Holding NV>: But I'd rather look at profitability. The growth of Professionals in North America is more or less flat through the quarter, but at a very decent level, so that's not – I'm not worried about this. It's in the range of 12%, 13% right through quarter, so that's more or less stable. It's not growing. You will see some of the mix, but that's what's happening.

On the gross margin, obviously, we would never – not tell you the truth, Arun. So obviously when we said that the margin was flat in January, that was where it was, in which we saw some deterioration in some markets in the months February and March.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: And if then on – that's suddenly after renewals you concluded that there's more price pressure, which happened after January. That's basically the trend?

<A – Ben Noteboom – Randstad Holding NV>: Yeah.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: And it's not just on large clients, Arun. That's important to note as well. This is also in the smaller and mid-size client segment. That's where you do not negotiate annual contracts.

<A – Ben Noteboom – Randstad Holding NV>: It's the volume again. It's the special volume, you always see a declining margin. And, again, it's a normal phenomenon. And, yeah, that's what we see happening a bit more now.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: Okay. And then the question about Tempo-Team and the government exposures. Is that also showing a pickup already, or is it only within Randstad label in the Netherlands?

<A – Ben Noteboom – Randstad Holding NV>: Yeah, that's temporarily more or less flat.

<Q – Arun Rambocus – Kempen & Co. NV (Securities)>: Okay. Okay. Thank you.

Operator: David Tailleur from Rabobank is online with a question.

<Q – David Tailleur – Rabo Securities NV>: Yeah. Good morning, gentlemen. Have another follow-up on Germany. If I understand you correctly, that let's say, for taking your margins, it's not only about cutting your cost base, what you, for example, be it in the Netherlands spend, gross margins came down more structurally. Is that correct to assume?

<A – Ben Noteboom – Randstad Holding NV>: Yeah, that's right. We have the full portfolio of tools available.

<Q – David Tailleur – Rabo Securities NV>: Okay. And then the pricing pressure, is it mainly driven by, let's say, improved procurement by clients, or is competition more aggressive on prices?

<A – Ben Noteboom – Randstad Holding NV>: The second.

<Q – David Tailleur – Rabo Securities NV>: It's the second option?

<A – Ben Noteboom – Randstad Holding NV>: Yeah.

<Q – David Tailleur – Rabo Securities NV>: And it's one or two players, or basically the entire market?

<A – Ben Noteboom – Randstad Holding NV>: It's a mix. In some markets, we see some of the bigger ones and the big ones being more aggressive. And we also see in a number of markets where the smaller ones are also more hungry for volume, obviously.

<Q – David Tailleur – Rabo Securities NV>: Okay. Because I'm very, maybe a third one. On the SFN, there's a lot of profitability in Professionals. Is it easily to be solved by cutting your cost base, or is it more a commercial issue, or a pricing issue?

<A – Ben Noteboom – Randstad Holding NV>: Q1.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah. Q1 in the SFN is typically soft quarter. The seasonality is stronger there, and during the year, we should see things improving next to synergies.

<Q – David Tailleur – Rabo Securities NV>: Is it different for them than your other U.S. business in Professionals?

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yes, correct, slightly different. Because of exposure.

<A>: Typical exposure.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: Yeah, more exposure to large clients.

<Q – David Tailleur – Rabo Securities NV>: Okay. Thanks, you guys.

<A – Ben Noteboom – Randstad Holding NV>: And that is, of course, the cost base of SFN Group as a whole, was, of course, also higher than relative to Randstad. So that's also why you should be taking into account how we're going to achieve profitability improvements.

<Q – David Tailleur – Rabo Securities NV>: Okay, thanks.

Operator: Tom Sykes from Deutsche Bank is online with a question.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Yeah. Good morning, everybody. I wonder, could you firstly please go through the growth you're seeing in the Administrative segment in the U.S.? So I thought that's under some degree of structural pressure. So if that's growing, maybe that would suggest a pretty decent macro environment. And then could you maybe go through your outlook for the number of corporate employees in France because as Jaime pointed out, it's up year-on-year. Your revenues are down year-on-year. There's probably some pressure on gross margins. What are your plans for corporate employees in France, please?

<A – Ben Noteboom – Randstad Holding NV>: Yeah, on the business segments in the U.S. is growing a double-digit. So that current view on model is good news, I guess. But it's also, of course, has to do – this is not necessarily market. We are clearly have refocused our staffing business when Linda started, with all the positive effects we've seen. And part of that was that we would actually develop this part of the market more than the blue collar business from the branches. So that's why this is not necessarily an indication of market development, but for sure, it's our development.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Is there any specific industries that are performing well within that or is it...

<A – Ben Noteboom – Randstad Holding NV>: It's actually all industries except for finance.

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

<A – Jacques van den Broek – Randstad Holding NV>: This is Jacques van den Broek from the Group with a bit more color on the French head count development. Partly, of course, in France we're still, you might say in a way, investing in a change of business mix. You've seen us transfer a lot of business from the branches into Inhouse. Leaving on a short notice, a little bit more capacity in the branches to sell more in the small and medium size and specialty part of the market. As long as we think we can afford that, we'll try to keep it in. You also know that on a Group level we've got a growth accelerator in Professionals. A small part of that is in France. So it all adds up to a little bit more head count compared to Q1 last year than you might think is reasonable compared to revenue developments. If we can afford it, we'll keep it up. If the business doesn't improve significantly in the course of the year, of course, we'll tone down the total head count.

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Right. But you're not planning a, sort of, social plan in France. I supposed to use your comparisons, the B minus or the double minus used in other areas. You're not planning a similar sort of social plan in France?

<A – Ben Noteboom – Randstad Holding NV>: No, definitely not. But of course, the reason why Adecco is doing this is, of course, not directly related to top line...

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

<A – Ben Noteboom – Randstad Holding NV>: ...but the fact that they're killing the whole organization, which is not the case with us.

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

Operator: David Hancock from Morgan Stanley is online with a question.

<Q – David Hancock – Morgan Stanley & Co. International Plc>: Good morning. Thanks. Two for me. One is at the Group level, obviously, you guys' operating costs ticking up sequentially. If there's no change in volume trends, how should we think about cost base through the rest of the year given that you also have some cost savings coming through? The second question is on the U.K. Clearly, a relatively negative top-line development, but getting better during the quarter. You're obviously taking cost out in the U.K. as well, and you're back to profit there. Can you just talk about how you'd expect that to trend through the year as well, please? Thanks.

<A – Ben Noteboom – Randstad Holding NV>: On the second part, how are trends going to be through year, was that the question for the U.K.?

<Q – David Hancock – Morgan Stanley & Co. International Plc>: In terms of sort of cost base and profitability, obviously. I don't expect you to tell us how you think top line will do through the year.

<A – Ben Noteboom – Randstad Holding NV>: Exactly. So we are creating more efficiency continuously, and especially in back-office and also in management, if you want. It's an field because we have been streamlining the organization quite extensively, we'll see the effects gradually increasing of the steps through the year.

<A – Robert-Jan van de Kraats – Randstad Holding NV>: If we look at, David, at the rest of the year and the scenario would be the revenues remain roughly flat, then we would also see our cost base moving up and down just slightly, but no significant change. If we do see that things will be deteriorating, then you know that we'll make significant adjustments. And that also relates to the point Jacques made. We are not yet making those decisions as we speak. It depends on that trends that we see in the next couple of weeks and months. But I do not expect the cost base to show significant changes if we continue to see the current revenue levels continuing.

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

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

Operator, this is the last question, I think. So we'll close the call for now. We are looking forward to see you again late July on the results of the second quarter. Thank you very much. Bye-bye.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.