MANAGEMENT DISCUSSION SECTION

Bart Gianotten, Director, Investor Relations

Good afternoon, ladies and gentlemen, and welcome people here in the room. Welcome people on the phone, and welcome people on the video webcast. Welcome to the Randstad's Q2 Results Presentation.

And we have the usual set-up today. Ben will take us through the highlights of the merger and the key points of the quarter. Since many quarters a lot of numbers carry minus signs. We call them key points rather than highlights. I wonder if anyone noticed this subtle change in our press releases since a few quarters.

And after that Robert-Jan will take you through the financials, the outlook, and a few items on taxes, our favorite subject. After that, we will have a Q&A session and as always, we gently ask you just to refrain yourself to two questions in order to make sure that we can get as many people on the lines.

And from here I'll just give the floor to Ben. Thanks.

Ben Noteboom, Chief Executive Officer and Chairman

Hello, everybody. Welcome wherever you are. Second quarter of this year, a very interesting quarter with a very obvious highlights that is the end of the merger activities with Vedior. We've become one company. We've achieved our targets – actually we overachieved our targets.

A year early I got the question more often, how is that possible? Is it very simple solution? If you have a merger plan, and it'll save you 10 million and the market collapses you can't either make a new plan or you can execute the original plan faster. That's exactly what happened.

And the other thing that happened is that we found that if you talk to people in the same business, you speak the same language. And people recognize whatever has a value and what does not have a value. And that's why many companies even without it having been planned started to merge and to work the way we found out as being the best possible way forward.

The other thing about the quarter is obvious. It's a stable quarter, which is a funny word, if you think about minus 31%. This is the first quarter in quite a number of quarters where revenue did not decline. During the quarter it was stable, although, of course, we did see shift through the different geographies and the different segments. But we'll try and get back to those earlier.

We've also seen the first sign of change in legislation, France opening up the public market, which is, of course, a big opportunity. However, we should not get too excited on the short-term because it will take time to develop that market. So I would not plot in high sales numbers for the next quarter that would be a bit too optimistic.

Let's start. The reason and this is about how we compare numbers, slide number three where we of course, took the pro forma results of the second quarter of last year of the two companies and put them together. So you have something to compare it with, without having to do too much work on it.

The change in legislation, I think is important. It's also something which is how we sell to our clients nowadays and also do our lobbying. If you look at the slide that says flexibility, better employment for everyone, this is what we sell to clients. And this is how we try and convince and have been convincing governments, the EU etcetera, on why agency work is so important.

For many of you it's obvious, but still, we do see that especially now people associate agency work with easy to fire, which is not what we sell. It is an effect. It's by the way also the wrong reaction of a company, if they only fire flexible workers. They're going to be inflexible which means they're going to be inefficient and we are guilty of the same behavior every now and then.

But still what we sell obviously is we sell know-how of our candidates and we sell efficiency. Efficiency, by making sure that a company has the right number and the right quality of people at the right moment in time. By being able to do that and that's why we have the total cost of ownership of labor. That's why we have been successful in in-house services. And that's also what we want to develop in other segments of the market, to grow that much in in-house obviously.

This circle says it all. If you are able to do that you're going to be more efficient, you're going to be able to compete better and we're going to have more jobs because companies are going to be more successful.

The State Secretary – is it called like that, I'm not sure – in Holland even stated it. I'm not sure if she meant this but anyhow we're going to lobby this until the end.

Looking at the market, the top right corner shows the market development which – especially if you look on the left side of the graph where it goes to minus 40%, again it's an astonishing number in -- as far as a market can decline so fast.

To highlight the month-on-month development we also provided you the bottom right graph. We won't do this forever in the future because – but now it is very sensitive so we wanted to be sure that you see the movements of the markets. And we also realize that behind that you'd like to know the differences between professionals and general staffing and anyhow. But this is what you see here.

And the interesting part is, as I mentioned earlier, that April, May, June is more or less flat at minus 31% on average. And if you look at these markets they're also flat.

The slight uptick in June is happening. Actually in some markets it's actually happening. On other markets because we have a correction of working days and a working day correction is always a little bit, let's say flexible. The translation into literally the same number of working days has an effect that is not exactly the same as the real trend. So you have to be a little bit careful on extrapolating the uptick in June.

Still a stable market, we'll get into the main markets in a minute. But as I said minus 33%, overall minus 31% year-on-year and per working day.

We've shared very often our basic scenarios of the past where change in the market started in the U.S. blue collar, mainly southeast, Belgium. U.K. was in between. Those markets we do see improving. Improving means however, that like in the U.S., it goes from minus 40 to minus 33.

But anyhow in a relatively short period of time we see quite an uptick. Whereas what we also expect and know professional market being late cyclical the professional markets are still declining and actually in quite a number of markets the decline has accelerated from Q1 to Q2.

So those are signs, I wouldn't -- we are still careful in stating that the trend has changed. But anyhow in order to start to improve, you first need to bottom out. This could be bottoming out but again, it's too short, four months to make that statement very firmly.

Operating expenses, we have reacted as we should have according to our Unit Steering Model; minus 24% compared to the last year, which is a huge amount, of course, coming from over 700 million cost in a quarter to 531 is quite an achievement by our people. They've done excellent in that respect. EBITDA 67 million obviously, the organization is on track except for France, I'll get back to that when I go through the main markets as usual and integration finished.

A bit more on the integration. This is the slide we shared with you when we actually announced the bid we had for – we made for Vedior. The bottom four boxes tax, head office, branches and efficiency were the boxes that justified the bonus we paid, the premium of 1 billion. We actually overachieved here.

We started as you'll remember with 70 million savings in costs and 20 million in taxes. It has now turned out to be, if you look at the run rate now, 96 million annually and 40 million in taxes. So that has been covered excellently. The top bottom boxes are obviously the ones where strategically we see opportunities to benefit from being a different, better company. So we're working on those.

What have we achieved? There's one missing here. On the head office obviously we closed the holding, the Vedior holding office. That was closed ten days after we had all the shares. In many countries we have combined head offices, mainly of the general staffing companies. We have our control mechanisms in place based on the best practices of both companies, which of course is very important and has become more important than the past.

If you look at branches; the closings, it's obvious where we had mergers we could close branches. And we talk about a large number of branches. But also the branches that are still open, many of them had to be re-branded obviously. So a huge effort has been put into doing that as fast as it has been done and as efficient as it has been done.

Efficiency, re-branding of 106 brands, which is huge, and to be honest, that's a lot faster than I had anticipated. When we looked at the initial plan, I had planned three to five years to actually achieve, especially on the branding side, what we have achieved so far. So that has gone excellently.

On the bottom four boxes looking at in-house, in France we just started. In other markets we've already moved the clients. It's not a large amount yet because, as you know, quite a number of in-house clients had a very low level of activities. So it didn't make sense to invest in changing and adding people. It'll happen when the market picks up and we will move large clients gradually.

The RfPs, we are on hold in, especially internationally have increased with 38%. The success rate has increased slightly. It's still high. It's well over 70%, which is enormous. Professionals. Australia is an area where people recognize where we're going and why we're doing it. And actually without it having been planned, yet moved to the Randstad brand, all of them except for one small company where we still have a minority shareholder moved to one back office. A fantastic development in a very short period of time.

We see the first movements in especially the U.K. Professionals market, BBT, and Hill McGlynn, both being in the engineering, the building, merging into one company, also being branded Randstad, by the way. On the other side, the BBT part that was in healthcare joined forces with Reliance. It's going to be Randstad Care in the future.

A lot of developments that have gone and happened very, very fast. Obviously this is also an area where the recession helps because it puts more pressure on reducing costs, being more efficient, and grabbing opportunities. That's what we're doing. We also changed part of the steering model, if you want. Both Hill McGlynn and BBT had operations abroad, Australia, Canada. And we are now – have been in the process of putting those organizations under the regional management.

Specialties. Especially in France, we have a successful track record of growing in specialties. In combination with the Vedior Visibility to serve the large clients in an excellent and efficient way, with our ability to develop these specialties, it's something we are building into the new company as we speak. And then we share, of course, knowledge on contact centers, call centers, which is big. We actually own a few in Portugal, so there we have an even more in-depth knowledge than we had before.

And then we have a whole range of other best practices. These [inaudible] (12.52) one in these days where cash is even more king than it used to be and should lead to an improvement in our DSO. And our building blocks, that hasn't changed.

One other thing I'd like to mention, if you look at the new web platform. We have Blue II (sic) [Blueweb II], we call it, as a project. It's a new web platform which we have implemented in 14 countries now, which is really up-to-date. An excellent example is Australia; they joined the companies. Australia had no, practically no large numbers of visitors on their website. From the moment they turned into Randstad, we are now the second biggest job website in Australia within a couple of months and without a lot of promotion. So those things for sure will help to build a better company in the future. The other things you can read yourself.

About main markets, yes, you know when we started, France was our biggest market, but unfortunately, the market there has shown to be a bit more volatile than Holland. So Holland is the biggest market again. We'll find a way to get other big markets. Organic revenue per working day minus 23%, which is stable, but in light of the development in other markets is good. Randstad – Holland has changed into a more late cyclical market, obviously based on the high level of services we have in this market.

Randstand, the Netherlands improved. They were below market, as I mentioned, a couple of quarters. They're now at market. Tempo-Team above market, that helps. We do see what we expected, that is some pressure on gross margin. Robert-Jan will get into more detail on what actually causes pressure on gross margin. What I'm referring to here is really price pressure in negotiations. There are more elements that actually of course, build up to the gross margin.

But again, I'd like to make this remark. I'm always very pleased with all the coverage of all of you. But there's every now and then one thing which needs a clarification. The change in the average gross margin has nothing to do directly with the profit. As I've said very often, if all my sales would be in in-house, I would have 16% gross margin and make 7% profit. Please refer to the level below, because almost everybody of you does it in a fantastic way. But sometimes it slips through. The gross margin gets translated to profit.

7.2% EBITDA, as usual, I would say through the crisis, through any crisis, the Netherlands has always been a good, profitable market.

And we sold part of our payroll processing business. As we have explained before, the market is not as attractive as such, which by the way, was also not our plan. But it was even less attractive than we anticipated. But we saw this as a stepping stone to companies outsourcing more HR services to us. It didn't happen. It didn't happen anywhere, actually. So we have other priorities today.

France. We have seen savings there, and reduction in head count. That reduction is based on a few exceptions, but mainly on the merger. Merging the two companies obviously we had a plan that had already been approved by unions, works councils, what have you. So the reduction in head count was caused by that.

The provision we took for the actual reorganization based on the decline in the market hasn't happened yet. On the August 18 there's another -- there's a lawsuit coming to an end. So the judge will then rule in our favor is the expectation. But again it had been delayed and delayed and it's France, you never know. However, we expect to start the execution of the reorganization plan by the end of Q3, which means in Q4 we should see some of the savings.

The 60 day DSO law made a difference obviously, another reduction in this quarter which helps the total DSO and the opening of the public sector I mentioned already.

Germany, profit improved a bit. Many of you remember that in the past the first quarter was always loss-making. But that has changed even in the -- in these difficult markets. What we see is that the professional market, the professional company still has a loss. And the staffing company has a very reasonable profit actually. The average is the 2.2% you see. Gulp is the positive exception, by the way, and yes, Teccon is the one that still has to improve. Operating expenses 29% lower, an excellent job. Idle time increased for the whole company a bit. However the penalty of -- if you want the reduction in gross margin it's very low single digit millions. So still very, very low and managed through the Company.

U.K. late cyclical. As you know two-thirds of our sales in the U.K. is professionals. We also took provisions in the U.K. to reduce costs. We do expect a considerably better second half of the year. But the only thing we have to -- you remember of course that Q3 education is low because then students and teachers tend to have holidays, which is a pity because that's a very healthy, a very profitable business. But it's the same every quarter.

General staffing, actually this is the country where general staffing improved the most of all of our markets. But again, since it's only one-third of our sales about, the effect on the total is not big enough to show less decrease than -- better increase than a minus 29%.

The merging businesses, Hill McGlynn and BBT. Would I have announced that a year ago, they probably would have stoned me and everybody would have quit. And now it turned out that it's going to be an excellent merge because it's obviously in the same segment, same knowledge. It's going to be an excellent company, probably market leader in that segment right. Second? It's going to be market leader in that segment. It's still second now but we're going to be market leader. EBITDA margin, basically breakeven. Again we do expect an improvement in the second half of the year here.

North America. We actually should divide Canada and the U.S. here. In the past Canada used to help the U.S. to better numbers. Today it's the other way around. Canada is a bit worse than the U.S. Here also we see a positive trend, an improving trend in general staffing and in-house. But we're still talking worse than minus 30%. But we come from minus 40% so that is a big step in a relatively short period of time. It's based on market. It's also based on the fact that our operations have considerably improved. We have better management. We have quite a number of big client gains. So that actually gives us confidence for the future.

As expected the professional business being late cyclical is going down. It's still profitable but still. And in Canada we see that both are actually in the decline and it has got a little bit worse through the quarter. Correct? Yes.

Gross margin under pressure. As expected the SUI will increase, especially next year. For most states it's not a problem but some states actually have already adapted their rates this year. For us that's a very small part of our business. But next year, there's going to be more pressure on margin because of SUI, so we have to compensate that. Good DSO management and EBITA margin improved from a small loss in Q1 to a small profit in Q2. And there must be more to come.

As you know we're always very keen on market share developments. We have not performed according to standard in the last couple of quarters. We're still not there but it's improving. If you look at the list and the main markets, that's improving as Belgium, obviously from a minus 4 to minus 1, which is good. From the U.S., from minus 9 to minus 1. Those are the two most important ones in my view. The Netherlands 1% less, that could shift any way. Germany, improving. So we're slowly getting there, but a bit too slow to my taste. We should gain more market share in a market like this. So we'll try and push for that, not at the expense of gross margin, which is what you're going to ask me if I don't tell you right now.

And looking at industries where there's still growth or where it's worse than average, we've listed them for you. The common denominator in almost all markets is the food industry, communications which is mainly call centers and business related to government, one way or the other, public administration, healthcare, social work. And in a number of markets we see financial services increasing.

In the US the reason -- the main market there is the big number of mortgages that have been renewed. That of course causes a lot of administrative work that's a big market. And Holland it has been growing for quite a number of quarters already. So we see that market slowly coming back, not at the high end of the market. So companies like Joslin Rowe which we have in London that only supplies the city with people is still in bad shape, still in a very difficult market. Within other segments it's improving.

Now I'd like to hand over to Robert-Jan on the financial results and the outlook.

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

Thank you. All right, some financial highlights which are very much in line with what sort of was the general storyline before. Revenue trends, one addition. That is also July follows the trend that we have seen in June. Gross margin I have a separate slide that I'll talk you through. Operating expenses from 700 million back to the 531, quite a magnificent performance.

The net debt level up as announced and that is the typical seasonal pattern in our business. In the second quarter we always pay out holiday allowances and that means that takes working capital. As a result of that the net debt has gone up to 1.5 billion. And leverage ratio comes out at 2.4 times EBITDA and this compares to the banking arrangements at 3.5 times EBITDA.

Then net DSO down one day to 58 days. Ben mentioned the French legislation which is extremely helpful. And if one looks at the other markets one can see that things are getting more difficult. It is clear that clients are pushing for somewhat longer payment terms. At the same time, we constantly are increasing our internal discipline as you've learnt to know us in the previous years by making sure that we monitor very closely the error rate, the time it takes to invoice and the collection period and so forth. And that effort has been stepped up.

A gradual increase of doubtful debts and then analysts always want to know what's gradual. Well, we tend to have between 10 and 20 basis points normally as an addition to the bad debt provision. You should know that we put into that provision the money -- the amounts we deem to be necessary. And on top of that is if a receivable hits the 182 days, which effectively is older than six months, it's being provided as well. And of course then at Group level we evaluate it, that it's sufficient. And that amount has now gone up to roughly 25 basis points. That's the direction we're talking about. So that's not a very significant increase. But it is clear that something is changing out there and we have been prepared for that for quite a while now.

The income statement for the second quarter, revenues minus 33, gross profit also down. And I have -- as I said I have a separate slide for this, ending at an EBITA margin of 2.2%. The lower part of this page is not adjusted for the one-offs and includes the amortization of acquisition related other intangibles. And as a result then you're getting to those numbers. Tax is an addition here. I'll get back to tax separately.

Some remarks about the gross margin development in the second quarter of the year. To the left hand last year 21%, to the right hand this quarter of this year, second quarter of this year, 20%. In between two key boxes. One is the temp margin and we do see increasing pressure on temp margin. It's still relatively I would say limited there are markets that are doing relatively well. Ben referred to the French market for example. But across the board we see some pressure. Permanent placement fees, a smaller part of total gross profit. As a result of which the gross margin has come down.

Then we have a bigger share relatively of human resource solutions, for example out-placement which of course in these days is a very relevant business. The relative share of total gross profit has increased as a result of which you see it here. Idle time is something that we very closely monitor, that we manage very closely. Across the board, idle time did not have a relevant impact on the Q2 results. I would say given the climate that we are in, that that's quite a good result. Impact of working days is also very limited. So these are the key components here.

The development in the number of corporate employees indexed against September '07, when we started to monitor this very closely, December, January -- sorry, December, June, March and June again here. And as you can see continued reductions. And then I'd like to point out because we very often have that discussion, the first way to reduce man -- to reduce head count is by natural attrition. That is something that continues in our business. Normally natural attrition in our business is between 20 and 25%. In these difficult days it should normally continue but at a lower pace. And that's what it does. It's in between 10 and 15% now.

And then again keep in mind that the people, our consultants in the branches are well educated, bachelor, master level either in their first or second job. That is a segment which continues to show liquidity of people. People still flow. And that means there's still an opportunity that if we don't replace the people that leave us then we can reduce our costs as a result of that.

The second component is the integration, which Ben mentioned, and I have a separate slide on which has been going very well and very rapidly. That contributes a significant reduction of cost.

And then the third category is our reorganizations. And we always discuss with our operations that we see this as an investment. If you put money into reorganization we'd like to see the return within 12 months.

Following this slide, this one fits to it. It's referring to the unit steering model as we have discussed it with you many times. Three lines here, the number of corporate employees, the number of outlets and the revenue curve. It's very difficult to keep up with revenue decline as steep as we see it here.

Adjusting the organization is something as we have practiced in 2006. We've discussed it with you at the time, we're well prepared and I think the results are excellent. But this steep decline that we have seen was impossible to exactly keep up with. But I would say overall, very, very good results, reducing the number of outlets and the number of corporate employees following the curve in revenues.

At the bottom it makes a relevant remark here. Increased footprint allows us to do this kind of rationalization whereas in the old days we didn't have that many opportunities to merge branches. For example in the French market today, that's a completely different story, just as one example.

Group productivity development. After difficult days, we generally also see better times and we'll better be prepared for that. And this is an indication of this. Rather than following gross profit perhaps, which we do intensively, but if you look at it across a longer period of time then inflation gets into the game. For this reason, we have now taken the corporate FTEs and then relative employee's workings. So how many flex workers does each and every corporate employee at Randstad employ? And that ratio we have plotted here, going back to 1998.

In the meantime, things have changed. For example, we have much more fee business than we used to have in the old days. We've not eliminated that. This is just the plain picture. And as you can see here, it's clear indication that we do have some 30% of over capacity which is available to deal with opportunities. And that's significant, and of course it's not always in the right location, but then we'll move it around. There's a substantial investment that we continue to have in our system in order to be able to pick up.

The restructuring charges, we've had a few quarters now of restructuring charges, Q4, Q1 and Q2, in total a bit more than 90 million. We have announced that we expect limited restructuring charges for Q3. That does not mean that we'll stop reducing costs, because I already referred to the natural attrition. And the savings are listed at the bottom, and at the very bottom line you can see them on an annualized basis. The fact that we have put more than 90 million in the reorganization provision and that we're now looking at savings of 60 million on an annualized basis in the third quarter means there's still some 30 million in the pipeline. Most of that is the French reorganization, which Ben explained.

At the bottom here it says that the earn-back of restructuring charges is 12 months. That should be – that should say maximum 12 months, it should be earned back within 12 months.

Some remarks about the cash flow statement. Actually the story line is more or less explained by the holiday allowances, which came in as a specific seasonal issue in the Q2. Some remarks on the investment CapEx. As you can see here additions of PPE, property, plants and equipment, and software together is 11 million. And that compares to more last year across the board, if you look at depreciation, that's close to 100 million on an annualized basis. This confirms the trend that for the full year CapEx should not be higher than 50 million.

And let me see if there's anything else here. Well, net debt change was the result of what you have seen in our cash flow.

Final time that we show you the update on tracking synergies for the group. Also Ben mentioned most of it. We have now the 40 million and the 100 million. And this compares to originally 20 million tax savings and originally 80 million of cost savings. As you can see here also on the integration cost side, both non-cash and cash, we also stayed within the budget. I would say that's quite a remarkable job done in the past because these plans were prepared late 2007. And as you can see now, we are pretty close to the numbers that were estimated at the time.

A favorite issue. Tax issues at Randstad. First of all, due to the decision of the government, 80 million of positive cash flow will be the result of the late payment of Dutch VAT. By the way, just making a side step, we are also promoting to the government to even expand this into wage taxes. We do no more than promoting it. We have no impact on this at all. We have no idea what the status of affairs is. But it is to the Dutch government, it is a way to reach out to the corporates in the Netherlands, not going through the banks but outside the banks to reach out and provide liquidity. And that's from a receivables management standpoint is also relevant to us.

There's a tax refund of 150 million in Q3 and this is where the tax whizkids have been sitting together. We had identified to this point, we've come to a conclusion with the Dutch tax authorities, and it does have – it's a very specific relationship with the valuation of foreign subsidiaries in our tax accounts.

As you can see in the second line, there is a deduction now, but in the future there will be an addition. And it's very much depending on whether or not buttons are being switched on or off and that is not completely in our control, by no means. And for that reason, the 150 million is a cash benefit and it will be placed in the deferred tax liabilities in order to be able to pay it back in 2012. But in these difficult days it is something you can imagine we've been working hard on to organize now.

The effective tax rate in the P&L is a difficult one. And it fluctuates more than it does normally. And that is due to a couple of items which are listed here, and I'll take you through them. A relatively low level of profitability. That means that for example the synergies, the 40 million, which I can assure you, is clearly coming through. The 40 million is having a relatively big impact on the profitability of the Group. That's life these days with low levels of profitability. Then operational and tax losses in several countries with different rates. The mix is very much determined by that.

If one makes a tax loss in a country with a relatively high rate that has an impact, as you can imagine. And then we have a relatively high impact of tax on amortization. And this is where it gets into bookkeeping. The amortization of other intangibles. When it was put aside what happened effectively is we have this pile of goodwill and then according to IFRS you have to define the share that relates to the value of the databases and the brands. And that money was then placed aside. But in order to make sure that in the P&L this does not come up, this depreciation, because we depreciated in seven years, this depreciation should not show without an adjustment for the tax pressure.

So at the time when we reduced goodwill and took the money out and placed it under other intangibles, we also took a provision for tax into account. That is standard rules, regulations, and that means that it's a virtual tax pressure on the amortization. And that means that this virtual tax pressure landed in a provision and comes back in seven parts. Every year it comes back into the P&L and it reduces the pressure from the amortization by a virtual tax adjustment of 31%. It was the tax rate that we used to have as a Group at the time that we had decided the money for the other intangibles.

And then the final point is revaluation of the provision on deferred tax assets. Randstad has in its books quite some net operating losses. And these net operating losses have a value. And it is clear that when the outlook is high, it's good. There's a higher value, there's a higher probability to be able to offset those than when the business is in a more difficult climate. And the revaluation, which is the result of again and again looking at the probability of making up for those losses, is something that has an impact on the quarterly results. And that is an assessment we have been making this time again. And as you can imagine, we are less optimistic because the starting point of the scenarios is lower than it was last time. And that results in a lower value of those net operating losses.

And this is logical, but at the same time I'm not sure this is the way to explain it to the investment community. IFRS seems to leave very, very little room, almost no room, to maneuver here. This is the theory behind it, and that's the way it should work out.

All in all this results in guidance for 2009 which is a 31% continued tax rate on the amortization of other intangibles, the databases, the brands, and a 15 to 17% effective tax rate on the profit before tax pre-amortization. And even higher, 20 to 22 when it's before the one-offs, because the one-offs are – have been planned in countries, have been reported in countries with a relatively higher tax pressure. That's what's making the difference.

We have worked this all out in an example. And rather than confusing you with our own scenarios, we took the analyst consensus as an assumption. We have no opinion on this, but we just took it as an assumption. And then we took the consensus EBITA, as you can see it at the top end, and then worked our way down.

On the right hand we have two columns, the tax rate 16% and the tax rate 31%. On the – very much on the right-hand tax rate, 31%, it's only the amortization of other intangibles. In the column tax rate 16% it's the three components I mentioned to you in the previous slide. So the mix in the tax rate, the synergies, the impact of synergies and the revaluation of the tax, deferred tax assets. That's all coming together here.

And then on the left hand, of course, the consensus. 316 EBITA, integration costs and one-offs in total 68 it adds up, that deducts 248 million. That's the base for the 16%. And then we get the amortization, which is calculated against the 31%. That's why it's on the right-hand side.

The 248 is reduced by the financial charges. And then we have a result of 188. And on that we have the 16% tax rate, calculating 30 million minus. The tax rate on the amortization is 31%, and that results in 49 million. And the net between the 49 and the 13 is the 19 million, in this case 66%.

That's what we have tried to explain you here. We still realize its complex, but we thought that full transparency will help you to understand this.

At the very bottom of the page you see that we have taken numbers without adjusting those for the one-offs. And that is why the rate over here is 5% higher than the rate over there, that's the only reason. I'm sure you'll have some questions about it, and we're available for that also later on.

A few remarks about the financing of Randstad. You've seen this slide before. We are now at a leverage ratio of 2.4. If the current level of revenues continues through the year, which we have no clue if it will, but if that is the scenario, then you'll see our ratios staying a very comfortable level.

The redemptions that are shown here, the 135 million, given the fact that we have a 2.7 billion facility and that the gross net debt – sorry, the gross debt, is around 2 billion, it means that until 2012 we'll have no issue here, because we'll simply reduce the facility step-by-step. And – so from a liquidity standpoint, no point at all, no refinancing for – before 2013, and we would want to say, given the difficult climate we believe that the financing holds up very well.

The outlook for the next quarter, and as I said, we do see the trend from June moving into July. But it is very difficult to forecast a trend in a holiday season. It's – the month of September will give more to hold on to.

Pricing remains somewhat under pressure. We constantly and will continue to align the cost base, the French reorganization is expected to have an impact late Q3. We have no year-on-year working day impact in the third quarter. We also expect limited reorganization charges.

And the net debt, as a result of all of this, is expected to be 200 million lower than at the end of Q2. And the reason why we have stated the 200 million is, we have the 150 from the government, we have the 80 from taxes. Then we have somewhat higher sales, somewhat higher revenue level in Q3 compared to Q2 if we would see a continued flat scenario, if we would see that, and that means that each saw working capital, and then if you look at the operational cash flow with the revenues levels that we have now, that is very, very limited. So all-in-all, that's why we have indicated the 200 million reduction of net debt for the next quarter. This is a summary of what we have been discussing with you.

And then we'll move to Q&A.

QUESTION AND ANSWER SECTION

<A – Ben Noteboom>: We'll start our Q&A from here. We'll start here in the room with Mark.

<Q – Mark Pieter de Boer>: Okay. It's Mark from RBS. Two questions, Robert-Jan, can you just repeat what you just said? Assuming that the current revenue decline will continue for the rest of the year, you expect to be comfortably below your covenant of 3.5?

<A – Robert-Jan van de Kraats>: That's correct, so...

<Q – Mark Pieter de Boer>: Okay.

<A – Robert-Jan van de Kraats>: ...if we continue to see the 3 billion level which is a scenario, then we believe that that is the result, yes.

<Q – Mark Pieter de Boer>: Okay. And then looking at the EBITA of 67 million, what can you say about the breakdown over the three months? Basically what is – what percentage of EBITA is achieved in which month?

<A – Robert-Jan van de Kraats>: I'd like to sort of limit my response to saying that June is the most relevant month in this.

<A – Ben Noteboom>: Always, every year.

<Q – Mark Pieter de Boer>: Okay.

<A – Robert-Jan van de Kraats>: And that clearly has to do with the bank holidays.

<Q – Marc Zwartsenburg>: Yes, sir. Yeah. It's Marc Zwartsenburg, ING. Robert-Jan, quickly on the tax rate, a lot of stories and examples. But could you give us an indication for the cash flow taxes for this year? And maybe to make it even simpler, what is the effective tax rate for 2010, roughly?

<A – Robert-Jan van de Kraats>: Yeah. Marc, we've been thinking about it, and it's a very difficult one, because as you can see the mix makes a hell of a difference. So I can't give you a solid indication, a good indication at this point in time.

In terms of the cash tax, the first half of the year was 40 million out. And I believe that the second half of the year will be less than that.

<Q – Marc Zwartsenburg>: Sorry, how much?

<A – Robert-Jan van de Kraats>: There will be less tax out in the second half of the year than we had in the first half of the year.

<Q – Marc Zwartsenburg>: Okay. And maybe a ballpark figure for the tax rate for next year, maybe in the five percentage points range, if possible?

<A – Robert-Jan van de Kraats>: No, it's too difficult. The impact of low results and synergies, one-offs, is way too big for that, I'm sorry.

<A – Bart Gianotten>: Maybe to add to that, I mean, what we discussed is fortunately what you're going to see, it that – if the climate remains the same, if nothing changes, you shouldn't see the 20 to 30 million that we mentioned in the press release on the revaluation? So I mean, that would drive the 22% rate down. But then if you see a mixed change and more profits in France because of restructuring, et cetera, I mean, then the rate will go up again. So it depends on what kind of scenario you take.

<Q – Marc Zwartsenburg>: And then one on cost synergies. You mentioned that you're down with your value of synergy, but you're streamlining, currently, the professional business. Any indication how much cost savings will come out of that restructuring, streamlining?

<A – Robert-Jan van de Kraats>: Yeah, that will be in the category "limited amounts." But we have included in Q2 and Q3, and we might include some in the future. It will be in that category, relatively limited, small steps.

<Q – Marc Zwartsenburg>: Thanks very much.

<Q – Arun Rambocus>: Arun Rambocus, Kempen. Two questions. First of all, as on slide 26, so you do accept the fact that you have a 30% over-capacity in your organization. But what does the unit steering model tells you at this moment? Should you scale back more, and are you willing to do so? That's the first question.

Secondly, is on the cost savings we can expect next to the savings in France. How much volume-related cost savings you see on the pipeline? And what would be a scenario where you plan to go for additional cost savings, if volume trends remain as they are? That's it. That's the two questions, right?

<A – Ben Noteboom>: Yes. I'll start with the first one, sort of -- two categories anyhow. On the cost savings, again it's unit steering. So, we do not determine in advance how much cost we're going to save. We look at the actuals and we adapt cost to the actuals. That's linked to overcapacity, because obviously what we present here is the ideal. By the way, I think, the overcapacity is a bit lower, because we have a lot more people than in the past that actually only generate fees and do not have employees working. We included those in the calculation.

So if you are in permanent placement, you will not have an employee working. Obviously, you'll only have fees. So what we look at, gross profit. Then the picture, again, is being disturbed by inflation. So that's why we chose this imperfect way of doing it. I think the overcapacity is less.

Next item on how do you manage and how much do you allow the overcapacity to be. That also has to do with the fact that we don't have ideal distribution, obviously. We sometimes have overcapacity, more overcapacity than we'd like in an area where we're still going down. And we might have a little -- too little capacity in an area we're going up. Because the key question in the end is how -- what do you do with your distribution? Do you actually leave markets or not?

As we also mentioned in the press release, and many times before, we do not like to leave markets. So in some markets, we will accept maturity levels below the normal threshold, which we'd allow in order to maintain our presence. Obviously, this is more the case in markets where we had a bigger decline for a longer period of time, whereas in markets such as the Netherlands, there's still -- there's a lot more room to maneuver without having to leave markets. Would we have a catastrophic scenario where the market would decline a lot more, we'll use costs more. We can always do that. But it's not a planned activity. It's based, again, on the unit steering.

<Q – Arun Rambocus>: The second question was on how much volume-related cost savings we see on the pipeline, next to the 30 million you plan to achieve in France. Do you have a figure for that?

<A – Ben Noteboom>: No.

<Q – Arun Rambocus>: Okay.

<A – Ben Noteboom>: The guidance was 520 in Q3 and that should be it.

<Q – Teun Teeuwisse>: Teun Teeuwisse, Fortis. A question on your growth rates. You see stabilization now. But how do you assess the risk of a new decline? Can you, for example, say what plants are doing for the summer holidays? Would it be closer -- longer than last year or shorter? Do you have any indication of that?

<A – Ben Noteboom>: It will be short. What we do see is that, for example in Belgium, we usually have quite a number of student projects, which by the way also pull our margin down. That's a different story. And we see that there are considerably less of those. We see them all markets that more plants will probably close down, or are able to maintain production with fixed employees. I don't have a number against that yet. No.

<Q – Teun Teeuwisse>: And second question, given the 150 million coming in, do you expect -- you are paying out dividends again?

<A – Robert-Jan van de Kraats>: We'd love to, but we've also indicated the conditions...

<A – Ben Noteboom>: The answer is yes, we only don't know when.

<A – Robert-Jan van de Kraats>: And the condition is that we should be between zero and two times EBITA. We've stated that in the annual report for many years. That is sort of our comfort zone. We're not there yet. And so when we return to those levels, we will immediately try to get back to paying dividends again.

<Q – Teun Teeuwisse>: All right. Thanks.

<Q – Frank van Wijk>: Frank van Wijk, SNS Securities. Two questions, please. Maybe rephrasing Arun's question, but what does worry you most at this moment, cutting costs too deep or cutting costs too little?

<A – Ben Noteboom>: Neither. Again, we consciously -- because we have built a system where we decide more or less locally what should happen. However, as soon as you get into two areas, three areas actually, you get into management then there's no automatic system, if you want, that takes management involvement. If you get into infrastructure, that takes management involvement, if you want to close down branches.

So what we do look at, we look at all these separate operations, weekly, but for sure monthly, look at the position. And if we feel that we will have to leave strategic positions, strategic reasons, areas, by closing down a branch, then we would not do it. But we look at it case by case always. So, we balance these things in light of the environment, so that's why -- that's why I have to say it is balanced because if not, then I would have taken decisions against our own common sense. That would be strange, right.

<Q – Frank van Wijk>: The second question...

<A – Ben Noteboom>: And I'm not the worrying type by nature, that's the other thing I should mention of course, yes.

<Q – Frank van Wijk>: Second question is about price pressure. Can you elaborate some more on that? What trends do you see in the different countries?

<A – Ben Noteboom>: Yeah, for countries maybe bit much, but for sure what we do see, that in a number of -- quite a number of instances, existing contracts are being renegotiated. And we hardly ever see any clients that want to pay more. So, that has an effect. It's big, big contracts we're talking about in general. Given the volume development so far, also if you look at history, I'd say that the market has been pretty disciplined so far. There's always one or two odd players in a market, very often medium sized or small ones that are unreasonably aggressive because they want to survive. But that has been the case before; it's a bit worse now. And so that's how we see some pressure on margin.

And as I said before, the longer the low volumes will remain with us, the more pressure we get on price. In the past, what we saw of course is that usually when the pressure really started to hurt a bit, then volumes started to recover. I can't forecast if that's going to happen this time, too.

And the other thing clients want is Robert-Jan's favorite subject. They want to have longer DSOs. And we don't want to have longer DSOs, so that's why we are negotiating. We have given in a little bit, as you have seen. Because on balance the benefit of, for example, France is a bit bigger than the one they -- we have gained. But I think so far, we've been able to balance these things pretty good.

<A – Robert-Jan van de Kraats>: I meant to shorten DSOs.

<A – Ben Noteboom>: Yes, I know, yes. The topic is your favorite but not direction, yes. And we'll take a question from Arun from the room, and after that we'll switch to the telephone lines.

<Q – Arun Rambocus>: Okay. Yes. Two additional questions. What do you see in terms of contract duration and renewal rate? Do you see already some signs of stabilization on that side? Or maybe an improvement? And furthermore, when you see stabilization year-on-year trend, you always sort of ignore the seasonality. Do you already see some improvement in the seasonality, for example [inaudible] T&T recently responded that July saw an above average seasonality in their express business. Is it something which you recognize as a seasonal company, as well? Thanks.

<A – Ben Noteboom>: I'll take your second question first, Arun, and I'm doing that because I was asked the same question. This was responding to two-week changes. That's not what we do at Randstad. We really look at it for a longer period of time before we react to it, because we very often see differences in weeks, and that is really confusing to discuss that with the outside community. The point we made is so far that July behaves like June, taking into account the regular seasonal pattern.

<A – Robert-Jan van de Kraats>: Contract duration, I don't see big changes at the moment.

Operator, can we get some questions from the telephone lines?

Operator: Thank you. We'll take our first question from the telephone from Jaime Brandwood from UBS. Please go ahead, your line is now open.

<Q – Jaime Brandwood>: Hi there. I'll limit it to two questions. Firstly, could you talk a little bit more about your performance in the Netherlands, particularly in terms of your EBIT margin? I was at least quite surprised by the strong quarter-on-quarter increase in EBIT margin. I wondered if you could maybe give some details on what happened to SG&A in the Netherlands year-on-year in the quarter, or anything else that drove that impressive EBIT margin performance.

And then the second question is more around gross margin at the Group level. You've talked about pricing pressure; you've talked about SUI in the U.S. You've talked about permanent recruitment, etcetera. How are you feeling about gross margin pressure, as we move into the second half? And how are you feeling about gross margins more generally? How much do you think they can come down, I guess?

<A – Ben Noteboom>: Yes, we were not too surprised about the EBIT margin in Holland. We've always stated that Holland has always been a very loyal and dependent contributor to profits. So that's not a surprise. We have an excellent mix in industries, a big part for example of the Tempo-Team revenue, and also a big part will be – a percentage smaller of Randstad is in government contracts, to give an example.

Gulp has been performing well. We reduced idle time, and we took a charge for that as you might remember in Q1, and that also, of course, resulted again in a very decent profit. Costs have been brought in line with market developments. And first of all, we have excellent companies with good management that are very close to market, close to react. They also have had some more time to react because the decline has come a bit later and in a smaller percentage, but still, in our position in this market means that we are involved in basically any contract negotiations.

So we can, to a large extent, choose what we want to do and look at whether or not we think contracts are profitable or not. And to adapt costs, that's the same story as what Robert-Jan referred to earlier on France. As you all know, the bigger the density of business, the more branches you have, the more people, in a short -- in a small geographical area, the easier it is to adapt costs. And again, would the market deteriorate more in Holland? I'm very confident we could take out more costs.

<Q – Jaime Brandwood>: What was Dutch SG&A, then? You said you'd match the revenue development. Was Dutch SG&A down roughly 23% year-over-year in the quarter?

<A – Ben Noteboom>: Yeah, if you take -- if you look at -- if you take an assumption on the margin, relative margin development, then you're better than I am in doing the maths what happened to SG&A.

<Q – Jaime Brandwood>: Okay, and then Group gross margins and whether from this 20% level that you've delivered in Q2 perhaps should anticipate more pressure? Or whether you think that actually 20% is a reasonable level to stay at?

<A – Robert-Jan van de Kraats>: Yeah, before doing that, I have one addition to the cost reductions in the Group. The fact that we have been using our own services is also very helpful. And in the Netherlands, there was a relatively high level of awareness that we should organize with flexible layers in our organization that helped us enormously when we went through the integration, especially in the back office, where normally the flexibility is low. Because staffs and overrates are lower as well. But the fact that we had taken our own medicine, organized a lot of flexibility helped us and continues to help us a lot with adjusting the organization.

Group gross margin. It's very dangerous to focus on this too much. Ben already made the reference, if we have 60% gross margin in our in-house business, we could have a wonderful company.

<Q – Jaime Brandwood>: Yeah, yes, absolutely...

<A – Robert-Jan van de Kraats>: And let me just give you so one dimension of this. Normally, when we get through this cycle, and the signs that we see today are typical for a phase in a cycle from where you'll see improvements. Whether that will happen, no guarantees at all. But if it happens, it's generally the blue-collar, the light industrial, and the logistical segment that starts to improve first.

<Q – Jaime Brandwood>: Absolutely, yeah.

<A – Robert-Jan van de Kraats>: That normally comes in with relatively low gross margins. But it is served though with a different business model, if it's served through our in-house business. And in the end --

<Q – Jaime Brandwood>: Yes, what matters is the conversion ratio. I got that, yes.

<A – Robert-Jan van de Kraats>: And in the end, it's about euros and not percentages. So we're very much looking for a low margin, gross margin business in this context.

And then, in order to complete the answer, you really have to look at each and every line within the gross margin. And I'll do that very quickly. Ben already made the point on the SUI charges, and the unemployment charges in the U.S., that permanent placement business, which is stable but is sort of at a larger decline than the rest of the business.

Pricing, Ben referred to that, and that is really something that we're monitoring closely. Idle time is an element in gross margin, and the impact in Q2 was marginal. And if you look at the way we've been managing it, especially in our German business, then I think this is the foundation to continue a good job in this field as well. So you really have to evaluate each and every element specifically.

<Q – Jaime Brandwood>: So you think your perm revenue now is also pretty stable, in terms of June versus May et cetera? I think you said that you've gained some stability in as well. Is that true, or --

<A – Robert-Jan van de Kraats>: The rate of decline has been stable right through the quarter. I mean it was...

<Q – Jaime Brandwood>: In perm, yeah?

<A – Robert-Jan van de Kraats>: Yeah, minus 46 in all three months.

<Q – Jaime Brandwood>: Okay, great. Thanks a lot.

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

Operator: Thank you. We have two further questions on the telephone. We'll take our next question from Mr. Toby Reeks from Banc of America-Merrill Lynch. Please go ahead. Your line is now open.

<Q – Toby Reeks>: Hi there, I've got two questions, if I can, both on France. Could you give us some color on the change in the public sector employment reform, and when you think that will start to have an impact on your revenues, and how dramatic that will be?

And then secondly, you talked about the gross margin performing well in some countries. And you mentioned France, I think, as being one of those. Could you talk about which countries have performed well, and which have performed badly? Thanks.

<A – Ben Noteboom>: Yeah, I don't remember mentioning the gross margin, and specifically in any country, but okay. On the public sector, what we now need are some rules of engagement, I think. There's a nice French word for it, which I forgot. They have to be published. And then we know exactly how and when and where. That's the first step.

Obviously, a new market opening up takes time to develop because we have to still convince the players in the market, the decision makers, that they should have a more -- that they should have a different view on how to handle their needs in the HR arena. That will take time. And next to that, you have institutions. The Works Council is likely to also play a role.

So that's why we are not too bullish on a short-term effect. It will take time. However, in time, it has to be big, because if I remember well, it's over 20% of the working population that works for the government in France. So if you would only have a 1 or 2% penetration, that already would mean huge numbers. But we are not -- we don't want to be too optimistic here because again, it will take quite some time before it will start. But then the impact should be big. If we talk 20% of the market, that's what it should be.

<Q – Toby Reeks>: Are you sort of thinking this is going to be a year or two before we actually start seeing some sort of material revenue benefits, or is that the sort of timeframe you're thinking around? Or do you think it will be more or less?

<A – Ben Noteboom>: It could well be. What you usually see, of course, in any new development, it starts slow and then suddenly it takes off at a moment you don't expect it. And the exact timeframe is difficult to express right now.

<Q – Toby Reeks>: Okay.

<A – Ben Noteboom>: But it will take time, yes.

<A – Robert-Jan van de Kraats>: Shall I do the one on gross margin across the board? We've changed our disclosure to EBITDA per country, and that means we have separated ways in terms of showing gross margin per country. What I can tell you, there's no significant -- very significant changes across the board.

<Q – Toby Reeks>: Okay, thank you.

Operator: Thank you. We'll now take our last question from Tom Sykes of Deutsche Bank, London. Please go ahead. Your line is now open.

<Q – Tom Sykes>: Yes, good morning, everybody. Sorry, good afternoon, everybody. Just wanted to ask one question on the impact of short-time working and how you saw this may affect the current level of low volumes or any recovery. That obviously the full-time equivalent grossed out man-hours of those on short-time working is quite significant and quite high compared to 2002/2003. I wondered if you could just give your thoughts on how that might affect your recovery and what benefit it has actually given you in some areas where you're perhaps using it yourself.

<A – Ben Noteboom>: Yes, these two aspects we use ourselves, in Belgium, in Germany, which helps because by doing that, we can maintain key people in the company and at a lower cost. It helps. In the market, in general, what I think -- it's a bit daring maybe, but anyhow, after and during every crashes you get these fantastic theories everywhere. And remember, in the last one, that we saw the jobless recovery. First of all, we would never have a crisis again, of course, which we had. And then we had a jobless recovery, which doesn't exist either.

I think this is going to be part of the visibility of the jobless recovery because obviously jobless recovery doesn't exist. But now we'll see because now we'll see that the part-time unemployment will disappear and that will be the visible part of the jobless recovery, I think. And then we'll have a recovery where jobs will be growing again. So it might cause a slow delay. If you look at the total numbers, I think it's almost neglectable. So I'm not worried about that -- the effect of that on our growth in the future. And we use it wholeheartedly in the countries where we can.

<Q – Tom Sykes>: Okay. And have you got any feeling for what that length of delay might be? Are we talking a quarter, or just a bit longer? I'll accept the fact that there's going to be some substitution because people want flexibility, even if there are people on short-time working.

<A – Ben Noteboom>: I think it's going to be very short, Tom. I think the impact is going to be very strong.

<Q – Tom Sykes>: Okay, thank you. And maybe if you can just talk -- I know you've given an awful lot of comments on gross margins already on the call, but whether it's possible to stay by business lines, staffing, in-house, professional. Maybe if you could give some comments on the gross margin pressure or not that you're seeing by dividing it by those different lines, please.

<A – Ben Noteboom>: Yes, the pressure is biggest in the professional segment, also -- mainly actually, because of the permanent placement fees that have disappeared. We have a number of organizations that were even up to 40 or 50%, depending on permanent placement, and obviously they are suffering. So that's where we see the biggest impact on total. That's also, by the way, the market that will recover easiest because that segment is least exposed to contracts where they have fixed margins.

<Q – Tom Sykes>: Yes, just looking at the temp gross margin.

<A – Ben Noteboom>: This is also interesting, Tom.

<Q – Tom Sykes>: It's very interesting.

<A – Ben Noteboom>: We're number two in the world in the professional markets. So I want to talk about it. You have to give me a chance to show off, too. And in-house, of course, that's all big contracts but low volumes today -- but relatively low volumes because that's where we had the biggest decline. Robert-Jan once confused me now and he always manages to do that. Those are big contracts with big companies. We have seen some pressure there. The effect on that operation is limited.

We still see a lot of potential in moving clients from the branches to in-house, where actually we also move clients back to the branches, and we will reverse that operation in the moment the market picks up. So I'm not too worried about the margin pressure there. I think that the relative biggest pressure is in the general staffing where also in some markets, again, permanent placement fees do play a role. But still there, if you look at our -- we shared it before -- I think global contracts is something like below 15% of our revenues. So the impact is still limited if you look at the total mix.

<Q – Tom Sykes>: And I know we ought to be looking at the longer-term, but just on the very short-term, I suppose you've made some comments that there might be some -- or there should be some seasonality for you. But it does seem like, through your comments, some kind of in-house, that perhaps some of the areas where you might see the greatest seasonality and volumes, and maybe also where there might be some higher gross margin pressure as well. Do you think, at the moment, that you might be able to see improving gross profit, quarter-on-quarter in Q3?

<A – Ben Noteboom>: Improving is not what I would expect. Normally, in Q3, there's a slightly lower gross margin on average.

<Q – Tom Sykes>: Or in absolute terms, I suppose.

<A – Ben Noteboom>: In absolute terms, and then I'd be forecasting also revenues, and that gets a bit tricky.

<Q – Tom Sykes>: Okay.

<A – Ben Noteboom>: If the market is stable, it's obvious, and we would even maintain our cost. We would generate more gross profit in Q3 than in Q2. That would mean a bigger EBITDA, and that's common sense.

<Q – Tom Sykes>: Okay, no problem.

<A – Ben Noteboom>: Thank you, Tom.

<Q – Tom Sykes>: Thank you.

Operator: Gentlemen, we have one further question from the audio. We have -- he appears disconnected. We have no further questions from the audio at this time.

Bart Gianotten, Director, Investor Relations

As we have no further questions on the line and no further questions in the room, we conclude this presentation. Thanks all for being here, and we'll see you in six months time. Thanks.

Operator: That concludes this conference call. You may now disconnect your lines.