
MANAGEMENT DISCUSSION SECTION

Bart Gianotten, Director Investor Relations

Good afternoon ladies and gentlemen. Welcome to the Randstad Q2 2010 Analyst Presentation and Conference Call. We're glad that you are here. For the people on the line, I've heard that we had a little problem as linking to the presentation you were diverted to the press release. I hear that that has been fixed now, so I hope that you'll be able to find the sheets as soon as possible. I'm sorry for this inconvenience.

We'll have the usual setup. Ben will take us through the performance of the various operating companies and strategy. Robert-Jan will take us through the financials, and after that we'll have the Q&A session.

With that, I'll give the floor to Ben. Thanks.

Ben J. Noteboom, Chief Executive Officer and Chairman

Second quarter 2010 a very interesting quarter obviously. We looked forward to the second quarter with lots of anticipation after having seen the growth during Q1. But of course in March we turned positive again as we shared voluntarily and enthusiastically with you, obviously.

So now the second quarter and what happened. You obviously saw the releases we sent out on the performance. Let's first go to the main markets and I'll get into detail again as usual on the main markets for us and what's happening there and how we were performing in those markets.

Well, the trends are clear. The rainbow is staying a rainbow. They're all moving in the right direction – in the same direction I should say, and also in the right direction. As of course, the acceleration in the – what is it, pink – pinkish line of Germany is obvious, of course you should also see that on the scale we made jumps of 10%, which in not many industries you can do. If you talk about a minus 30 and a plus 10 and a plus 20 and a plus 30, those are unusual numbers for most businesses, but unfortunately on the minus part we have to get used to that and are used to that.

So big changes in markets, again, trends are clear, trends are up. The one that's lagging behind is the Dutch market obviously. All the others are doing very well and we are steadily improving our performance in most markets. So that's good.

Staffing markets, of course, growth as you've seen in in-house we had over 50% growth, 5-O, which is to be expected because as always blue collar is picking up first. But also now we see like in the U.S. that the professionals business is picking up and in all markets that's improving, albeit not in growth mode yet, but anyhow improving because it means we're slowly absorbing the costs for overcapacity and turning moderate results into good results or even in some cases losses into profits, which has happened in by far most markets by now.

So accelerating growth, plus 14% organically, plus 13 per working day, plus 16 for the quarter, however way you look at it, healthy double-digit growth in all markets except for the Dutch market, and I'll obviously get back to that a bit more. I could even imagine there would be some questions, but I'll give you so much information upfront it's going to be a boring question session as usual again.

In-house, growing of course, and I see some people here nodding that that's impossible, but I'll surprise you, but you'll see.

Professionals segment showed slight growth as I said. Perm fees are doing better. Actually the lead times between the different segments, different markets, and also perm and staffing have shortened as we already noticed in the downturn, but then everything happened very, very fast. But for sure also in the upturn we see compared to former uplift in economy that the lead times have been reduced. So either world is indeed a lot flatter than it used to be and/or this is a different cycle than we've seen before.

Gross margin's relatively flat. A big part of the sequential decline, 0.3% of it was due to Yacht in the Netherlands. If you take that out, then I'd say we have a fairly stable development in the margin as we expected by the way, and if I'm not mistaken also as quite a number of you expected.

Operating expenses up 6%. Biggest part of that is being explained by bonuses and commissions, so that's good news, next to currency, which is neutral news because it doesn't matter much as you know. The only currency risk we run is the translation of the profits since all costs are in local currency, except for the board and the holding and that's very cheap. So that doesn't have a big influence. So that currency effect on our results is not very big. Unfortunately we'd like to have more profit in even more countries, but we're getting there.

And then we also in some markets had to add some people as we've seen in our overviews. I think the total increase on average was 55 people mainly in Germany because there we had really high growth as you've seen, whereas obviously an average of 40% indicates that there are areas where the growth is considerably higher than 40% and that exceeds the overcapacity we have in those operations, so there we had to add some people and are still adding people.

Compared to Q2 '09, obviously the costs are flat. Robert-Jan is going to get a lot more into detail on the cost development.

EBITA 120 million with an EBITA margin of 3.5, which is nice and getting closer to our target of 4%. And I think a very interesting one, and also one we're anxious to share, so we put it in the key points and in my quote and we put it here, we plan to propose to shareholders to pay dividend again if current trends continue. And so far, there is no reason to doubt that they will.

Let's get to the markets and let's start with the Netherlands. Again, late cyclical as we have seen. What we also see in the market statistics is that blue collar is growing, we see the same. We see by the way also two patterns internally that is that Tempo-Team is at market and Randstad the Netherlands is below market. Give or take, I must say the market data were a bit confusing because the May number was a bit funny, had to do with holidays that were partly holidays, but were calculated as non-working days, it has a big effect on the growth numbers. But still the trend is clear because it's a minus 5, minus 2, minus 2 about development we had.

We're also losing some share in the industrial markets, Tempo-Team at market. The biggest pain we obviously had in Yacht. If Yacht has an effect of 0.3% on the total gross margin, you also can calculate what it means for the Dutch gross margin, it has a big impact. It also means by the way that both Tempo-Team and Randstad are at the old fashioned, if you want, but very solid profit levels they have been before and are still at. The pain unfortunately is in the Randstad Yacht area where we are now – have taken the next steps to fix that.

What we've done at Yacht is also not a secret. We've changed the structure, we've changed quite a lot of management and the structure, I mean, the way the teams operate because what we shared with you earlier is we would investigate the best practice for professionals. That's finalized. We are implementing the best practice we defined, so the strong points are for professionals. In our professional businesses, especially in the U.K., we've done a lot, also in a quite number of small countries and also the reorganization within Yacht is in line with the best practices we've discovered.

Market is not recovering yet and the combination of the fact that – and professionals is very cyclical and Yacht – for Yacht, the public sector, government is quite a big client, has had an impact on the results as I just described. And again that's the big explanation for what's happening – the biggest explanation what's happening in the Netherlands.

Gross margin is sequentially down. Again if you take out Yacht, then you have a different picture, and the EBITA margin low again for the same reason. I guess these two minutes have at least eliminated 10 questions, but let's see what else you can come up with.

France, closing the gap, we promise we will be in line with markets, that will take us about a year. In June, we were in line with markets so that makes us optimistic, but the remaining of the year, I must say the reorganization we had to go through, went smoothly, now at plus 18% in the quarter. 3.5% EBIT, which is EBITA, in my book an excellent result given the status of development in France. Growth carried by all segments, obviously mainly manufacturing and automotive, which is by the way the case in all markets, to grow our big markets, the segments where we have growth, I'll show you in a minute, are obviously there. Permanent placement up 50%, which is an excellent sign, and the professionals segment is also improving month-on-month.

We are transferring clients and we're gaining new clients in in-house. As we shared earlier, we have a lot of big industrial clients in the Randstad branches nowadays, which used to be Vedor. We promised we would transfer that business to in-house for a few reasons. It will increase our market share, it will make us provide a better service to the client, and it will make us more profitable and by the way not necessarily because in-house is a lot – a lot lower level cost in France, but it will increase the profit at the branches for sure because they will generate other business and exactly the business we should be at more specialized, more clerical. And the market share gains by in-house will increase, it will be the main driver to increase profit in – for those clients for us.

Gross margin, sequentially flat. We still – we closed another few branches which is one of the reasons we have some provisions still in the costs. And DSO improved 2.4 days, that's a lot obviously still has to do but of course, our excellent management but next to that I must say the fact that legislations forbids companies to pay slower than 60 days also plays a role there. The sequence, if you look at the importance might be the other way around to be honest but anyhow, it has a good effect on our cash.

Germany, 40% growth on average through the quarter, as I have just said which is excellent. Strong overall performance of the market, the only part that still lagging is the engineering growth, our IT Company is really doing excellent and actually has been doing very good through the cycle, through this downturn also but through the whole cycle, really excellent performance.

Strong operational leverage at 5.4% EBITA and again we are starting to invest in Germany because we need more people, both actually candidates, applicants and internally. Unemployment in a number of area of Germany is pretty low again, I heard that in Bavaria, it's below 3% again this where we were before, the downturn and a growth in the eastern part has been considerably above 50%, so we really see that – that market is booming.

UK of course, we have in many countries a very mixed business that makes it more difficult to compare market share gains or losses. Because the market data usually are on staffing only and especially in the UK you see of course where we have these big mix between the two is difficult to compare to market. What we do see is that in-house has a very growth of over 30%. Staffing is more or less at the zero level and then we see that there is some variance in the growth numbers in the professional businesses. If we look at everything that's related to government spent like education and healthcare, we see a slow down and some other we see – we see improving especially finance, HR, media. And engineering/construction is also doing better, but for sure not at the old levels yet. EBITA margin up 2% and that should be more to come here.

North America, obviously starting point of all the trends for us anyhow as we've shared often plus 22%, staffing has really done an excellent job, actually, Linda is here. Profitability back, growth is back and I think we really found the right strategy to make it happen. Strong overall performance above market doing very well, professionals, also now turning into double-digit growth which was to be expected of course in the sequence. Specially, IT set fire an excellent company that actually also through the crisis has performed well. Finance, we had big problems last year as we shared with you. Obviously, it is fixed and returning profits again. Perm increased 20%. In Canada, we see actually lagging behind the US in a way that staffing shows very high growth but professional still is lagging growth there, which again is market and is coming.

Gross margin sequentially improved, of course, carried by both better business in staffing actually '03 by an increase in perm fees and by the professionals market is also recovering and if it recovers margins go up. And SUI charges of course, the impact is always the biggest at the beginning of the year, because once you have paid a certain threshold you don't pay any more that means, your margin automatically goes up in time. In professionals, that of course takes a lot of less time than when somebody would make – would have a very low salary.

Good cost management let's say EBITA margin at 3.1% so a big improvement when compared to last year and also a strong conversion. Looking at segments where we have growth or actually still a decline in our main markets as obvious that transport, automotive and manufacturing in general are the carriers of growth. If you know that in-house has grown 50% that's obvious. Food is lagging a bit in all and actually through the cycle food hasn't suffered as much as the other industries obviously till '08 so that didn't much. Business services, we see development, financial services that has difference to market that's getting better. This is the picture, obviously at the bottom, health and social work mainly France picking up, U.S. doing very well but it's more the bioscience than hospitals and stuff like that. And in countries like the U.K. et cetera where it's more linked to government budgets, it's not doing so well..

So this is a short overview of the main markets. Now I'll hand over to Robert-Jan to take you through the financials and the outlook and then I hope I'll be back to – with some answers to your questions. Thank you.

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

Good afternoon. The financials after 7 quarters of decline in revenues, we finally have a quarter that shows growth again. Of course that makes us very happy. We also have placed 70,000 people more at the end of the quarter than we did last year at the end of the same quarter. That's people we very often bring from unemployment into at least temporary employment and mostly moving on to permanent employment later on. So I think these are very motivating results.

The positive trend through the quarter improved a lot, I mean, if we tell you in the press release that 15% is the growth for June and 11 for April. It means obviously that May is at 13% but the variations are very big. The variations are at the high-end of the scale, the German growth of 40% and the Netherlands being slightly negative still. If you zoom into that you go the professionals business in the Netherlands double-digit negative in the second quarter. And that also drives the way we deal with the expenses which I will get back later on.

Also positive trends for example, in Greece, we still continue to put more people to work even in Greece. The underlying gross margin has been sequentially fed since the third quarter of 2009. I'll get back with a specific slide on the gross margin development. The underlying operating expenses Ben mentioned it's 6% up. If you take out the currency impact, it's 4% up and it's mainly due to the commissions' bonuses but also investment and I'd like to mention something on that one.

Investments and expansion, on the one hand it's obvious that if you have a 30% over capacity in Germany and the growth rates are as they are with a rate in the month of June of 46% growth. Then it's obvious that one has to invest in capacity again, not in expanding the number of branches just unless it's in house. Now that is something we will promote doing, but especially putting more people to work in the existing branches in which we have. We've got lots of desks with computers available to put new people to work. So the first and for quite a while that will stay the same priority is if we employ people to do that within the existing branches. But we also have a challenge here because the markets where we do have low growth or no growth yet, the challenge is do you want take out further cost the possibility to earn that back within 12 months, which has been the key criteria we've used over the last period that's a more difficult one.

So in quite some cases, we've decided not to cut too far anymore to keep up the capacity because we expect that with the global trends that we see that we're going to use that capacity within the next 12 months. So the conversion, as a result of that has been somewhat under pressure.

EBITA improved by almost 80% up to 120 million. The effective tax rate, I'm not going to get back to this, it's 29%. It's very much in line with what we've shared with you in the previous quarter. No specific items to mention here. Diluted EPS up to €0.45 for the second quarter.

Then moving average DSO also improved by 1 day to 57 days now. And I think there is some confusion in the market about the free cash flow of Randstad. It amounted to 105 million negative, which we consider to be completely understandable, typical for the second quarter because we do pay out a substantial amount of money on holiday allowances.

Moreover, growth requires working capital, which we'd love to provide and we are at sort of the tipping point here, it's still there. The regular free cash flow is not enough to finance the receivable. So this is where you clearly see working capital going up whereas the free cash flow is not sufficient to finance that yet. When we get into sort of a continued growth mode that's going to be a lot easier. So, to us, this is exactly what one would expect for the second quarter. You also go back to 2007, 2006 and so forth, you always see a high point in the net debt development and a negative free cash flow in the second quarter, typically also a little higher because we pay out dividend – we used to pay out dividend in the second quarter.

Net debt now came out at 1.142 billion versus the 1 billion. Leverage ratio now at 2.4. Interest rate has gone up slightly 10 basis points to 135, 1.35%, so very happy with that policy going forward. And no mandatory reductions anywhere near. The capacity still stands at close to € 2 billion. Well, this summarizes it into the income statement and I'm sure you've looked at it closely.

So I'll move on to the slide on gross margin development for the second quarter. From 20% last year to 18.7, which is supported by the reclassification of the French business tax, which is an effect as you can see, the green one over here, of 0.3% positive. But the key item of course is the temp margin, minus 1.3; it includes the item that Ben has elaborated on the 0.3% impact from the idle time effect and, let's say, the lower share in the total business of the Yacht business. So there's a 1% sort of temp margin net of the 0.3, which is very much the result of the geographical and segmental mix shifts. I mean the growth in the Netherlands being absent whereas we have substantial growth, for example in France, clearly put some pressure on the overall gross margin.

Perm fees up. They are now 9.2% of gross profits, they've been higher than that in the previous years, but at least we're recovering, we coming from 8% in the second quarter last year. And I already mentioned the reclassification of the French business tax that has an effect of 0.3.

We've also listed for you the gross margin development over the last couple of quarters in deteriorating markets over here and then into stabilization, recovery started in the fourth quarter of '09. This is what one typically sees also, a decline in gross margin, actually 200 basis points is less than we have seen in the previous cycle, so one would also say it's a little bit better. We also didn't

start at a very high level as we did last time because the Netherlands was much higher at the time. So 200 basis points down, the blue one is the total gross margin, the brown one is – or orange one is the temp margin. And that's from Q4 '09, where we did see the U.S. showing growth again for the first time in the staffing business. We do see stabilization, which, again is the typical pattern that one would expect. So in our book, this is something we did expect and we feel is the right thing to expect in this phase and then typically it would move up again going forward.

A few remarks on the productivity development in the group. This is expressed in employees working. So how many flex workers does each and every corporate employee of Randstad employ effectively. And the group is the purple line here and it's still below what it used to be in 1998, as you can see. But look at the U.S., the blue line here, the U.S. is clearly ahead of 1998, and I have to say 1998 was not the benchmark; it's just the index here. At that time I think we didn't have the right productivity levels, but as you can see massive steps being taken and that has boosts productivity and essentials so the profitability in our staffing business in U.S.

It also shows that – the remainder here, the other companies, Germany, the Netherlands and the group as a whole, are still below where it should be. So we are eating into the overcapacity but it's still out there. There is more of that. There is a lot of that in the Netherlands. There is very little of that in most regions in Germany.

We also have expressed and this is also how we measure it. How does our productivity look like if you mention gross profit per FTE? And also here going back to '98, same curves again up, but this one always one has to take into account that inflation should be excluded from this slide. So an increase by itself is not good enough. It needs to be more than that and if you look at the development of the group, we're still at a 100 compared to over here. So we haven't even compensated for the inflation. So that again indicates that we should be able to get more profitability out of the same infrastructure.

The consolidated balance sheet: I have included it here, just to show you that there is not much special in it. No major movements, it's rather stable and it repeats the numbers on that as I have shared them with you. The consolidated cash flow statement then and here you can see the movement in working capital as a result of what I described before holiday allowances and also the investment in our receivables.

If you look at the development in investments, CapEx investments very much in line with what we saw last year. Nothing urgent, nothing outstanding that one has to make up for. So I expect the trends to continue. We're not going to open new offices with furniture; we don't have major IT projects being started as we speak.

You can see the dividend payout here, that's the preferred dividend that was paid out in the second quarter, which we decided to pay. Then the debt facilities, the repayment schedule, it repeats what I said before, 2 billion facility. No refinancing before 2013 and very happy with what we have as an interest policy going forward.

These are the priorities again. We've put in the slide just to emphasize. For us, it's about market share and as you can see the French business has closed the gap. We have – we continue to have this as a key priority. The productivity measurement, the key thing here to watch for us is very much the conversion ratio. We look at converting 50% of the new gross profit into EBITA and that's sort of the measurement we take as a base. And sometimes we allow our companies to invest more because very often it's more attractive to invest in organic growth than to consider acquisition.

So the name of the game in our business is organic growth and this is the way we measure productivity. And as I said, sometimes we allow our companies to invest a little more going forward. 5 to 6% is clearly the target on the table. The outlook for the next quarter going forward, positive trends that we have seen throughout second quarter will continue – are continuing into July. We

see no weakening of that across the board. We also expect to see growth in all segments as Ben explained. So both at the industrial level going up to clerical and into professionals; and as a result of that we also expect, if these trends do continue, to see at the end of the year, to see leverage ratio below 2, which should enable us to propose to pay dividend again to our shareholders.

I'm also going to give you the exit rates of quarter 2 to support this. In the Netherlands, the exit rate in our book was minus 2; in France, it was 21; in Germany 46%; in Belgium 15%; the UK close to zero; and then North America which combines Canada and the U.S. at 26%, that should also save us a couple of questions.

So Bart, we now move to Q&A.

Bart Gianotten, Director Investor Relations

Yeah, we would like to move to Q&A. Of course, we don't have to say it that we would like to limit yourself to two questions, so that many people can ask questions. Start with David.

QUESTION AND ANSWER SECTION

<Q – David Tailleux>: Okay. Thanks. David Tailleux, Rabo. Question on the temp margin in Netherlands. Could you provide us with the decline year-on-year in Q2 and also in comparison with that to the decline in Q1, and that's excluded for Yacht to be precise?

<A – Ben Noteboom>: I have to push a button, or else you can't hear me. We don't share the gross margins as you know. What we do see is that sequentially margins have not deteriorated from Q1 to Q2.

<Q – David Tailleux>: Does this also include the Netherlands because looking at...

<A – Ben Noteboom>: Netherlands. We're talking about the Netherlands, yes.

<Q – David Tailleux>: There is no decline sequentially? Okay and maybe the...

<A>: I would like to add to that. I mean there is no increase in the commercial pressure. Which, still the mix is slightly down because there is more growth in the industrial than in administrative.

<A>: Yes. Right.

<A>: The commercial pressure is not more harsh than in Q1.

<Q – David Tailleux>: And the impact of renewal of contracts, will this also be visible in the coming quarters, do you expect in the Netherlands? And maybe enter some gross margin of size which could expect probably from perm for example.

<A – Ben Noteboom>: I think the biggest impact by far is going to come from mix. And I'll expect a very small impact if at all from contracts, because most big contracts has been renegotiated and are – have been in place for a – for sure the biggest part of the second quarter.

<Q – David Tailleux>: Okay. And maybe a quick one on the U.K. looking at the profitability. It is, let's say, driven by the mix in activities, or do you believe that also looking at the peer group there's some more upside in specific segments?

<A>: Yes. What is the difference between segments and...

<Q – David Tailleux>: I mean looking at the performance per segment, let's say do you feel satisfied with that or you believe there is more upside compared to peers?

<A – Ben Noteboom>: No. That must be -- I can't compare to peers, I can't even compare to our own numbers and of course given the fact that the professional business, quite a large number of professional business are still way below where they used to be, that is a big upside to be gained from that activity indeed if they also generate more growth.

<Q – David Tailleux>: Okay, thanks.

<A – Ben Noteboom>: Yes.

<A – Robert-Jan van de Kraats>: Teun?

<Q – Teun Teeuwisse>: Teun Teeuwisse, ABN AMRO. First question is on your operating expenses, because it included bonus accruals and if we assume stable sales trend – sales growth trend in the coming quarter would there be no sequential impact from the bonus accruals then or would there still be an impact?

<A – Robert-Jan van de Kraats>: I didn't say that for the full quarter we expect stable sales growth. I gave you sort of the outlook into July and then we'll – our forward visibility...

<Q – Teun Teeuwisse>: No, I mean if we assume stable sales growth.

<A – Robert-Jan van de Kraats>: Okay.

<Q – Teun Teeuwisse>: What would the impact of the bonus accruals be in your operating expenses?

<A – Robert-Jan van de Kraats>: We'll see that going up because the sales level will again be higher, but it's very directly related to how much sales are going up. So if it's sort of stable then the increase should be lesser than we see now.

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

<A – Ben Noteboom>: Teun, to add to that maybe and we're the strong team today of course. The mix is very important to where do we sell how much, obviously an increase in permanent placement in the Anglo-Saxon markets generates a lot more commission to be paid than growth in in-house in Belgium for example, so it plays a big role.

<Q – Teun Teeuwisse>: That's clear. And then another question. Is there any reason why the specialists or professional sales would not see a similar recovery trend as the other regular staff in sales?

<A – Ben Noteboom>: I don't think so. No, I don't think there is a reason for that. The deal, you can have a different development per opco a little bit, for example, if an opco is heavily depending on government spend obviously there's going to be an effect. But for the total business, again what we stated already in Q1, we saw a classical pattern of recovery, we said, and got many questions about that, as usual, then there is no reason why we should not see a similar growth in professionals business.

<Q – Teun Teeuwisse>: Okay.

<A>: And then the U.S. is aligned to your point, because that's where we already see growth both in the industrial segment, in the clerical segment and also in the professional business.

<Q – Teun Teeuwisse>: Okay. Thank you.

<Q – Arun Rambocus>: Arun Rambocus, Kempen. First question is on the Netherlands, a bit puzzled about looking at the revenue trend Q2 versus Q1, which is in Q2 higher and still your EBIT is lower in Q2. Is that purely a mix impact or can you elaborate on that, that's the first question?

The second question is also on the Netherlands, unfortunately. So seemingly your flagship label Randstad Blue is underperforming. Can you share a target with us when you think you can catch up with the market as you did in France where you sort of closed the gap now? Is there a certain timeframe where you can close the gap? Thanks.

<A – Ben Noteboom>: The second one, what it usually takes to change an unsatisfactory trend is between 2 and 3 quarters. So that's what we always aim at to have things fixed. Another one was increasing sales and then what was...

<Q – Arun Rambocus>: Lower EBIT. So if you look at the Dutch sales...

<A – Ben Noteboom>: Yes. But again for Holland the impact of Yacht is by far the dominant one if you look at the staffing companies, the trends you just described is not present.

<Q – Arun Rambocus>: So did Yacht deteriorate Q2 versus Q1. Is that what happened actually?

<A – Ben Noteboom>: Yes.

<Q – Arun Rambocus>: So you're taking extra steps over that to lower the idle time, is that what we are seeing now?

<A – Ben Noteboom>: We taking extra steps to make sure that it gets lot more profitable in the future. Yes, that's the right conclusion.

<Q – Arun Rambocus>: Okay. Were those two questions, or can I ask another one?

<A – Ben Noteboom>: Well, you're the boss.

<Q – Arun Rambocus>: Well, a question on Germany. I'm seeing you opening up more branches. Are these in-house branches which are added or are these physical branches which are now being opened?

<A – Robert-Jan van de Kraats>: Yes. Across the board what you will see is in-house growth, but we'll have some exception, I think in Germany we had 2 or 3 branches being reopened more or less.

<Q – Arun Rambocus>: Okay.

<A – Robert-Jan van de Kraats>: But it will be -- going forward you will see very little expansion of the regular branch network.

<Q – Arun Rambocus>: Okay. Thanks.

<Q – Konrad Zomer>: Hi. Konrad Zomer, Cheuvreux. Two questions. First on Yacht, I remember from like a long time ago that that business almost collapsed and you basically almost closed it down. And you said on the way up again, when you sort of put it back in the market that you were not going to take as many people on your payroll as you did the first time. Can you give us a bit more insight into what's happening here, because the impact on your overall results is actually quite big and it would be good for us to have a bit more feel for what you're going to change, what the proportion of people is on your payroll, how much has idle time gone up by? Just a little bit more flavor?

And the second question is the general view in the market about the macro economy is a little bit more uncertain now than it was a few months ago. And have you noticed anything from your clients or internally about the growth rate possibly tailing off a little bit in the short-term? Thank you.

<A – Robert-Jan van de Kraats>: Your first question, on your – please realize it's about a relatively limited amount for the group, just to begin with. But the underlying question is fair, when we went through the previous cycle, we took some learnings from that and we created a structure where 60% of the people were on a permanent contract and 40% was flexible. That gets a lot under pressure when you get scarcity in the labor market. So we did it but it wasn't easy in those years in 2006 and '07, and as soon as you start adjusting the organization, it eats into the flexibility. We did test across the globe by the way, the whole group against our stress scenario, which you are aware of. What we are experiencing now is seven quarters of very substantial negative development.

As I said in the second quarter of this year, the professionals business in Netherlands is still double digit negative. So it is worse than we anticipated in our testing. So going forward, we'll have to make sure we can deal with even more volatility than we anticipated before and that will have an impact on the mix of our candidate pool in order to be able to adjust for sure. And we have also, as Ben referred to, some other measurements where we're trying to make sure that we are more flexible internally than we have been before. And the general economy.

<A – Ben Noteboom>: Yes. As we describe everywhere again, we also of course see the same – the same signs in all the media about the economy. As you know, we are no experts on the macro economy, but we do see trends in 45 countries across the world. And it's difficult to imagine indeed that we would see -- have major problems in the economy on the short-term if you look at all those 45 markets and the way they are developing. There are a few things that could happen, we could speculate a lot about it for sure if something happens in the financial world but that seems stable at the moment. But some of you guys are big experts on that than I am, I guess. So far, we don't get much – we don't get signals that that actually will slow down.

Clients, the good news of course is that clients indeed also get nervous from all – from all these – this attention in the media on possible future developments. Because the more uncertainty there is combined with growth, the often they will phone us. So a little bit of uncertainty and growth is the ideal combination for our business inevitably, because companies will want to stay more flexible than they would do otherwise.

<Q – Marc Zwartsenburg>: It's Marc Zwartsenburg, ING. First a question on the Yacht also again, maybe the impact you had there on your gross margin because idle item, et cetera, seems that there was an impact. And then also going through the Netherlands, you mentioned then fix the Netherlands in two to three quarters but what needs fixing besides maybe Yacht?

<A – Ben Noteboom>: Marc, yes, that's not what I said. So we're losing market share in the industrial segment with Randstad Netherlands, so that something that needs to improve. That's what I'm referring to.

<Q – Marc Zwartsenburg>: And how do you see that being fixed?

<A – Ben Noteboom>: Well, the same as always.

<Q – Marc Zwartsenburg>: Right.

<A – Ben Noteboom>: You pick the right resources, you direct them in the right market, you give them the right tools and methods, and then they'll be successful.

<Q – Marc Zwartsenburg>: Okay. I thought that was already in place, so then it leads us only to the price.

<A – Ben Noteboom>: Again, on the industrial segment, Randstad Netherlands because that's – the main driver of us below – Randstad Netherlands being below market is something that of course is difficult to accept, so we'll have to correct that.

<Q – Marc Zwartsenburg>: Yes. Fair enough. And then on SG&A, up 4% organically in the quarter, obviously with the growth accelerating through the quarter, there must have been also a step-up through the quarter. What can you say, I guess, sort of organic run rate going into the third quarter? And with the uncertainty in terms of economic outlook, what is the management discussion on further investments in that area?

<A – Robert-Jan van de Kraats>: Well, Marc, it also goes back to where the growth will be. If we're going to have growth in the Netherlands, it's going to be processed by people, we have by

branches, we have a back-office that we have, whereas in Germany we'll expand. So it's very much a function of that, but we do expect to see very solid conversion ratios going forward.

<Q – Marc Zwartsenburg>: Fair enough. But – sort of run rate, you can guide us that or the exit rate for the SG&A organically in June?

<A – Robert-Jan van de Kraats>: I think I'll sort of stick to what I just said.

<A – Ben Noteboom>: But again, it's unit steering as you know, so it's driven by productivity levels and the actual operations are the lowest possible unit in our company. Those decide – those are – that's what decides whether or not we will invest in markets. It's irrespective of any forecasts, publication of any agency, whatever. It's our own numbers, as you know, that rule our decision whether or not to invest.

<Q – Marc Zwartsenburg>: Okay.

<A – Ben Noteboom>: That's why it's easy. The only risk if we take a decision.

<A – Bart Gianotten>: We'll take one more question here from the room and then we'll switch to the lines, and then we'll get back.

<Q – Margo Joris>: Hi Margo Joris, KBC Securities. You mentioned that in Yacht that growth rates are holding up well. Have you seen growth rates stabilizing in some countries in the third quarter and do you expect to see that? And also a question on scarcity, have you seen already some scarcity showing up in some countries and if yes, where?

<A – Ben Noteboom>: Yes. The growth rates as we shared with you, the trends of June have continued in July. That's as far as we have seen so far because we are not in August yet. Scarcity indeed, of course, as I said earlier, if you look at Bavaria where unemployment is at 3, there it's very difficult to find people and there are more areas, but it's more regions or parts of a country or a market where we see this happening, yes.

<Q – Margo Joris>: I mean so the growth rates, do they still accelerate or do they stabilize because of easier comparables?

<A – Ben Noteboom>: The comparables are not easy yet in July. As you remember last year, Q2 and Q3 were our worst quarters with a minus 30 and minus 28. So the comparables in Q3 don't get easier yet, but as I said, they continue and a week-on-week input on what's happening where are employees working, that's not reliable enough to share with you and it will be too detailed.

<Q – Margo Joris>: Okay.

<A – Ben Noteboom>: Yes.

<A – Bart Gianotten>: Operator, maybe let's start with the questions on the line right now.

Operator: We have four questions over the telephone at the moment. Our first question today comes from Jaime Brandwood of UBS. Please go ahead.

<Q – Jaime Brandwood>: Morning. I wondered if I could start by asking about idle time more broadly at the Group, I guess it's mainly Germany and Netherlands, but is it true that as you move into Q3, you will have more working days in Q3 than Q2, and therefore everything else being equal, you should have less idle time? There should be some benefit from that?

<A – Robert-Jan van de Kraats>: In the third quarter, we'll have on average four more working days than in the second quarter, but it equals the number of working days we had in the third quarter of last year. So you're right. If we pay monthly salaries, which we for example do in our German business and most of our professional business, then we'll benefit from that and that should help the profitability in the third quarter. Yes, and there's one more point. We have – normally July, August are strong months for us, but typically not in the professional segment because people will go on holidays.

<Q – Jaime Brandwood>: Right, of course, yes.

<A – Robert-Jan van de Kraats>: And what we do for that is we do provide the cost of sales, so that means we're going to miss out on the gross margin.

<Q – Jaime Brandwood>: But you still expect for example in the case of Yacht, therefore, which is so professional focused, that the idle time would still increase in Q3 versus Q2?

<A – Robert-Jan van de Kraats>: No, no, because we're going to use the holiday planning to deal with the idle time, we're going to use the measurements we just shared with you, so that is not the underlying expectation.

<Q – Jaime Brandwood>: So do you think actually you can reduce idle time in Yacht already in Q3 versus Q2?

<A – Robert-Jan van de Kraats>: Well, that for sure is the ambition.

<Q – Jaime Brandwood>: Okay, perfect. And then you --

<A – Ben Noteboom>: But let me add to that, as Robert-Jan explained, the idle time will be less, but you will still miss the gross margin on the days that the professionals are not working.

<Q – Jaime Brandwood>: Yeah, exactly, that's fair enough. And then you kindly gave us the exit rates for perm in France, which was a pretty unbelievable 50% year-on-year. Can you give us some perm exit rates in some of the other countries? I know it's 21% for the group, but can you give us UK, North America, maybe a couple of others that are interesting?

<A – Ben Noteboom>: Yeah, I think we shouldn't get into all that – that much of detail, but it's obvious that it's improving. It's improving in every market. The rate at which it's improving is still varying. Again, we gave the average and we gave an example of a very big market. Unfortunately, we think, we have to stick to that Jaime.

<Q – Jaime Brandwood>: Fair enough. Just on the UK then because obviously that's the one country where the exit rate looks a bit weaker than what you – this is for the whole of the UK, including temp, where the exit rate looks a little bit weaker than what you saw for the whole quarter, is this mainly because you're now starting to feel more pain on the public sector side?

<A – Ben Noteboom>: Yeah, exactly that, yeah.

<Q – Jaime Brandwood>: Okay. Thanks very much.

Operator: Our next question today comes from Tom Sykes with Deutsche Bank. Please go ahead.

<Q – Tom Sykes>: Good afternoon. Tom Sykes from Deutsche Bank. Just wondered if you could make some comments on the structural growth, I mean, obviously your peers have commented on structural growth trends, devil's advocate would say; you are more exposed to industrial production than GDP is, therefore as industrial production has done very well, the GDP multipliers have been

higher. How would you kind of counter that? What are you seeing from your clients from the structural usage of temps and maybe what are you seeing in kind of the clerical professional markets from the point of view of using temps as well please?

<A – Ben Noteboom>: I'm a bit puzzled by this – what are you saying that we are more exposed to the industrial market than most of our competitors are. I don't think that's the case, depends who you compare us to...

<Q – Tom Sykes>: No, it's just that your exposure to industrial production is perhaps higher than GDP's exposure to industrial production. So therefore if IT is doing well, your GDP multiplier would – for starting should be higher.

<A – Ben Noteboom>: Yeah, that story hasn't changed actually. So we're seeing the same thing happening as we have seen after every – after every downturn. Everybody gets nervous and they claim they will use a lot more flags than they did before. However, everybody has a bad memory and after maybe two years we have a collective amnesia and companies hand-out permanent contracts again.

On the other hand, the structural growth of our business, of course still continues, because we do see, for example, the opening up of a number of sectors since. France has opened up public sector. The proposal now in Spain would also include opening up public sector and construction. So you see that the structural developments of our business look favorable. Expectation is that penetration in the U.S. could exceed former levels of penetration again. So that all looks healthy. Of course based on the fact that indeed if a company wants to be efficient, workforce planning, having the right quantity and quality of people available is extremely important and is very sensitive and is something that requires a lot of specialist knowledge. That's why it's being outsourced to us. So I'm very optimistic about structural growth of our business, but again not based on the fact that we just had a severe downturn because everybody will forget again within two years.

<Q – Tom Sykes>: Okay. And then in terms of the sort of short-term visibility that you have and in particular sort of the experience you'd expect with regards factory shutdowns and perhaps relative to what happened last year. Do you think there's probably a bit of a benefit for you that, as you say you've got the same seasonal trends? Would you – what's the outlook for that factory shutdowns in the third quarter?

<A – Ben Noteboom>: Yeah, we have no – if you look at the growth levels, it differs obviously with the markets. So for example, automotive picking up a strong lead, I would be surprised if we would see a lot of closedowns in that sector, but it's too much to ask to give me a detailed analysis of – or even a total for all the factories we are supplying people with.

<Q – Tom Sykes>: Okay. No problem. Okay. Thank you.

<A – Ben Noteboom>: Thank you.

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

<Q – Mark Pieter de Boer>: Yes. Gentlemen it's two questions from me. Coming back on the performance in the Netherlands, it doesn't seem that your main peer in the Netherlands is gaining share and now you're referring to the underperformance of Randstad NL. I mean what's happening in that market. If you can maybe put a bit more kind of color to the numbers I mean what in your view is the market growth rate then in the second quarter and where Randstad NL is? And finally on Yacht, I assume that in the comparison of Q2 performance versus Q1 performance there is a big impact of the working days. However, would you also say that your performance has weakened for Yacht in Q2 when you would adjust for those working days or is that the main impact there?

<A – Robert-Jan van de Kraats>: Mark, the growth in Netherlands, you are referring to the ABU data. There are some specific players in the Netherlands that are fully focused on the industrial segment and of course that has an impact on their trend. So they clearly outperform us having a much more mixed book and that is at least the analysis that we have been looking at. And with regards to the Yacht performance in the second quarter relative to the first quarter, you're right the second quarter was a weaker quarter.

<Q – Mark Pieter de Boer>: Then coming back on the first one Robert-Jan, are you comparing then the Randstad NL performance versus the ABU data or versus your own benchmarks?

<A – Ben Noteboom>: No, we look at the ABU data whereas the comment – oh, sorry it's Ben again, we switched, whereas the – we were a bit surprised by the May number which suddenly of course turned to plus five. And as I mentioned earlier, the effect of working days and taking into account that was too big because we had the number of days that did not count as working days although we saw that quite a number of people were actually active. So that means the growth per working day was overstated. So that's why we think it should have been more like a minus five, minus two, minus two like development than what the ABU data showed actually at a plus five in May that seems to us a bit overdone.

<A – Robert-Jan van de Kraats>: Mark --

<Q – Mark Pieter de Boer>: To get that entirely clear, you're underperforming first at minus five, minus two, minus two, that is basically what your own personnel rep is doing?

<A – Ben Noteboom>: Yeah.

<Q – Mark Pieter de Boer>: Okay.

<A – Robert-Jan van de Kraats>: Mark, I have one addition to make to my Yacht remarks, that is in the second quarter, some of the book of Yacht is relative – is dependent on the public sector and the public sector in the Netherlands has also reduced its spending in the second quarter. So that in itself was also a reason.

<Q – Mark Pieter de Boer>: Okay. Thank you.

Operator: Our next question today comes from Piethein Leune of ING. Please go ahead.

<Q – Piethein Leune>: Thanks. Good afternoon. Piethein Leune speaking at ING. I've got a question with regards to the dividend. You stated that you want to start paying a dividend again if the current trends continue in line with the stated policy. Can you remind us what that means? I mean, is that – does that mean that if we are – if you're going to pay at the end of the year are we going then to 60% or 30% or is that 1.25, which was the last dividend the reference point for paying dividends?

<A – Robert-Jan van de Kraats>: The policy is unchanged, will be unchanged and that means that we will aim at €1.25 as long as it is between the brackets of 30 and 60% of the net profit adjusted in the regular way for the amortization.

<Q – Piethein Leune>: Great. Very clear. Thank you very much.

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

<Q – Toby Reeks>: Hi, guys. Couple of questions from me. The first is just sort of going to your December scenario analysis and if you look at the sort of I think the three scenarios you laid out for

2010, it looks like we are firmly in the sort of far right hand side i.e., consensus revenues already at 13.5 billion and gross margin looks as though it's trending to be around about that 18.6. Can you confirm that 4% EBIT margins looks like an achievable target for 2010 now?

<A – Ben Noteboom>: Yeah. Again, the scenario of course is based on an assumed mix. It differs a bit. We're not going to give a forecast for the year. Unfortunately we can't do that. But you should take into account the different mix underlying the different ways to get to a 10% growth.

<Q – Toby Reeks>: Okay. And then the second one just on the French market relative to what Manpower were saying that the competition is being aggressive on pricing and they are actually struggling to recapture some of their gross margin. Is that something you are feeling as well or do you think that's a Manpower specific problem?

<A – Ben Noteboom>: I don't know how big the mirror is that Manpower has, but I think it is Manpower specific problem.

<Q – Toby Reeks>: And to your knowledge both you and Adecco are being disciplined on pricing in that market?

<A – Ben Noteboom>: I think the former answer covered it all.

<Q – Toby Reeks>: Okay. Sure. Thanks very much.

Operator: Our next question today comes from David Hancock from Morgan Stanley. Please go ahead.

<Q – David Hancock>: Yes. Good afternoon, a couple of questions on typical patterns that you mentioned Robert-Jan, firstly around working capital, you said that was the kind of pattern you would expect in Q2. Can you just talk about for Q3 and Q4? The normal seasonal pattern you'd expect but with the growth rates that you're seeing, would you expect to get inflows in Q3 and Q4?

And the second question was around slide 19 on the gross margin development, so the stabilization you've seen over the last few quarters, you said you'd hope to start regaining that lost gross margin. On a typical cycle how long would you expect to take to recover that gross margin that you lost? And do you think you can get back to the previous level of temp gross margin, excluding the sort of mix effect on fees, but on temp gross margin do you think you will eventually get back to where you came from? Thank you.

<A – Robert-Jan van de Kraats>: Yeah. David you're correct. We do expect if the current trends do continue into Q3 and Q4 to see a positive cash – free cash flow coming out of that.

<Q – David Hancock>: Positive free cash flow and a positive working capital inflow?

<A – Robert-Jan van de Kraats>: No. What we will see is that the – this should translate, let me be very clear, into a lower net debt position at the end of the year.

<Q – David Hancock>: Yeah.

<A – Ben Noteboom>: So it's a battle between EBITA and working capital right? So that's shifting. On the gross margin development what we've seen after every cycle is that again with a delay and the difference per segment et cetera, and as I've mentioned earlier, the lead times in between the different developments – the developments between different segments and countries have changed. We have been able to recover usually a bigger part of the margin. If you look back by the way, not 100% and although in the last downturn of course, the Dutch market started at an extremely high margin of over 28% which was a bit too much because we found out that price

elasticity does exist. So again in a normal development you would expect us to be able to recover part of the – for sure the biggest part of the lost margin. And next is, of course, our mix of business changes. So the bigger impact of the professionals market later in the cycle should have a positive effect on our profitability and last but not least we reconfirmed earlier that we want to be in the 5 to 6% EBITA bracket. So that's something we're aiming at.

<Q – David Hancock>: Okay. Thank you.

Operator: Our last question today comes from Matthew Lloyd of HSBC. Please go ahead.

<Q – Matthew Lloyd>: I was going to say good morning, but good afternoon, gentlemen. Just a question, you mentioned earlier that time to hire was very, very short. I wondered what would happen to your growth rate and to your capacity utilization, if that normalized? So if time to hire was very short at the moment, but got slightly longer, still in the recovery pattern, I wonder whether you had any thoughts about that. And then my second question which is slightly more facetious and that is have you ever asked a branch manager when his business is growing slower than the market, whether it's his fault or someone's discounting and he's actually said, no it's my fault?

<A – Ben Noteboom>: Yeah. I will take the second one because that's never a reason not to grow obviously because that will only develop once you have 100% market share. Unfortunately that exists nowhere. Yes, indeed. People always able to claim the fact that the competitors have lower prices but that's never a relevant issue. If you execute our concepts right, you will gain market share. It's as simple as that. And if the market forces us to provide the service at too low a margin, we will either not do it or we will have to have concepts that enable us to make the required profit levels on those activities.

<A – Robert-Jan van de Kraats>: And your first question is about scarcity. I would first like to point out that we are operating in markets like France with 10% almost unemployment, in Spain with 20% unemployment, in the US 9% and so forth. So I really think this is a question that might relate to very specific regions or circumstances. It's something we rarely see across the board. We have some exceptions and Ben referred to those.

And you should also know that if our clients are asking for people, we think are hard to find we'll help those clients to understand that there are different profiles a lot easier to find. I mean that is our profession. So theoretically, we are right. If the time to hire is increasing that might have an impact on our growth rates. At the same time, we have the capabilities to help our clients understand what kind of profile to go for and not go for the – as we say in Dutch the sheep with five legs, because everybody wants it.

<Q – Matthew Lloyd>: Thank you very much indeed.

<A – Robert-Jan van de Kraats>: Yeah. Ben is adding, low unemployment also leads to high mobility in the labor markets.

<Q – Matthew Lloyd>: Thank you.

<A – Bart Gianotten>: So there are no more questions on the line. So we shift back to the room because there was at least one person still having questions.

<Q >: Michel Akkerman, Rabobank. To what extent do you see your clients making their own people more flexible instead or besides asking for temps?

<A – Ben Noteboom>: I don't see that as a strong trend today.

<Q – Michel Akkerman>: All right.

<A – Ben Noteboom>: They've always done that to a certain extent, but the levels of flexibility you need in many sort of operations are so big that that's basically impossible. I'd rather see the opposite and again it's – because it's so complex, companies want to outsource the hassle of recruiting, finding the right people, defining the ideal pool, doing the planning et cetera. So, it's rather the other way around than they actually find a solution in science.

<Q – Michel Akkerman>: Right. Got a question. Now that integration with Vedior is behind us, when can we expect some new acquisitions?

<A – Ben Noteboom>: Yeah, as you know, we always share the lists with all the investors on the targets we have and also the timing, so we'll stick to that list and that's the answer to that.

<Q – Michel Akkerman>: Right. Before when we look at professional service in Netherlands, you first want to clean the house so to say before you look maybe to add on some other...

<A – Ben Noteboom>: What we shared, on a more serious note, is that we shared earlier that we do not want to expand the number of countries we're active in. We'd rather be big in the countries we are in than add countries. Second thing, because again density generates more profit and market share. Two, what we said is the main focus is organic growth, first in staffing, we know how to do it and, two, in the professionals business because we now defined the best way to work, strong concepts, so that should help us to accelerate that business even faster.

Third thing we said is if we invest, we will do that in companies that would actually increase our density in markets where it's still too small, because that would increase our profitability. And specifically, in professionals markets once we have proven that our concepts works and we're getting more and more assurance that that indeed is a fact that would then be an area where we would be looking at an acquisition. But when and how et cetera, it's too early to share that.

<Q – Michel Akkerman>: One small question about Yacht, because for me it's not really clear now, what is the trend through the quarter within Yacht?

<A – Ben Noteboom>: Trend through the quarter.

<A – Robert-Jan van de Kraats>: That's not improving yet. It's stable.

<Q – Frank van Wijk>: Frank van Wijk, SNS Securities. On Yacht again, sorry, but your ambition is to reduce idle time, is that an absolute and a relative number?

<A – Ben Noteboom>: There's a link between the two as you've – so the answer must be yes.

<Q – Frank van Wijk>: The relative number is more difficult to achieve if your sales going down also...

<A – Ben Noteboom>: No. But the answer is yes actually, again, so both, yeah.

<Q – Frank van Wijk>: On Germany, engineering – professional engineering, what do you see over there and are you a little bit disappointed now in development because industry is picking up so fast over there? Can you elaborate more on that? And on, in general, the CLA – one CLA in Germany, what do you expect from that to win more market share?

<A – Ben Noteboom>: Yeah, the second is easier because we had a few competing collective labor agreements like the Christian ones that allowed those companies to work with lower salaries and that of course is easy to compete. They now have to go to our level of salaries, hence we have seen this growth in Eastern Germany because that's the main area where that has an effect of over

50%, considerably over 50%. So we're actually taking a lot of share from the companies that in the past could win by having – by paying low salaries.

The other question – what was it, engineering in Germany, yeah. Yeah, engineering is a specialty, but also a black box obviously – there are many different sorts of engineering. The engineering where we struggle most is, as we shared before, is in the airplane production, if you want. So that's the – that's where we suffer. That's still a difficult market and a complicated client. So that hasn't changed yet. If we do not perform according to our ideal picture, I am always disappointed, but that's not the question because that's my job.

<A>: Final questions there?

<Q – Teun Teeuwisse>: Yeah, Teun Teeuwisse, ABN AMRO. One follow-up on dividend because Robert-Jan was quoted this morning on a newswire that it looks good to be able to pay 1.25 dividend. Can we read that as an implicit guidance for at least €2.10 EPS for this year?

<A – Robert-Jan van de Kraats>: Wrong statement, wrong quote.

<Q – Teun Teeuwisse>: Okay, thank you.

Bart Gianotten, Director-Investor Relations

So end it here. Thanks for being here. On the table you'll find a booklet which is called Bridging the Gap. Two years ago we wrote a study about the trends in the labor market, Mind the Gap, now we have issued a booklet on how we can help to solve that gap. It will be an interesting read and I hope you enjoy your summer holidays with that. Thanks.

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