

— PARTICIPANTS

Corporate Participants

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Beschier Jacob Noteboom – Chairman-Executive Board & Chief Executive Officer, Randstad Holding NV

Other Participants

Margo Joris – Analyst, KBC Securities NV

Paul D. Sullivan – Analyst, Barclays Capital Securities Ltd.

Matthew G. Lloyd – Analyst, HSBC Bank Plc (Broker)

Teun Teeuwisse – Analyst, ABN AMRO Bank NV (Broker)

Toby Reeks – Analyst, Bank of America Merrill Lynch

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Arun Rambocus – Analyst, Kempen & Co. NV (Broker)

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Tom R. Sykes – Analyst, Deutsche Bank AG (Prime Brokerage)

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— MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Randstad Q1 2013 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

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

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

Thank you. Good morning, ladies and gentlemen. Welcome to the conference call discussing the Randstad First Quarter 2013 Results. Ben and I are here supported by quite some people including Jan-Pieter van Winsen and Jacques van den Broek. And I'm going to take you through the presentation and then we'll move to Q&A afterwards.

And I'm sure you don't want me to elaborate on page two, so I'm moving on to slide five, which has the header that reflects the climate that we have experienced in the first quarter of the year. It was a good start of the year and strong efficiency improvements have supported the return of 2.4% EBITA margin, €92 million for the first quarter.

And organic growth through the first quarter improved slightly. Organic growth per working day was down 3.7%, which compares with 5%, just north of 5% for the fourth quarter. And this improvement was not the result of easing comparables. If you look at last year 2012, January was just below zero and March was just north of zero. And we do see continued growth in Japan and a decline in Europe.

And please note that seasonally, this is the smallest quarter of the year, we've got 1.8 fewer working days versus last year. Last year, it was a leap year, it included an extra day in the month of February. And if we look ahead, Q2 will generate 0.4 more working days, Q3, 1.0 and Q4 will be almost flat, which leaves out most of the leap day that happened in 2012. We would love to see more of these years, by the way, but it only happens once every four years.

The gross margin expansion that we have noted in North America was offset by lower gross margin in Europe, which was mainly reflecting legislative changes in Germany, The Netherlands and France. The decline in our business was, to quite some degree, compensated by good cost management. Operating expenses were down €24 million sequentially, which includes €9 million of foreign currency effects. And if one looks back on a constant currency basis to Q2 2012, the decline by now is €43 million for the quarter.

The FTE reduction supporting this was 2,360 measured on a year-on-year basis and EBITA arrived at 2.4%, reflecting a recovery ratio of 71%. And I would not have been surprised to see the same EBITA margin at the bottom line if the working days effect would not have impacted us.

Slide six, the trends, these are the Randstad trends, the growth development slightly improving throughout the quarter. What we see here is a gradual improvement in Europe, which is the pink line here. At the end, you can see it going up somewhat. In North America, we have a strong focus on profitability, which resulted in a better gross profit level and better return. Please note that in North America through the quarter, we moved from minus 5% at the beginning to minus 3% in the month of March. We see continued growth in Japan and emerging markets. And, as mentioned, it improves through the quarter.

Slide seven. North America, as I said, focus on profitability. If you look at the bottom of the slide, you see the EBITA margin improving, so I would say this is strategy coming through. Revenue was down 3%, Q4 was flat, and in the month of March it was minus 3%.

Strong gross margin improvement both in Staffing and Professionals as a result of focus on client profitability, and also perm contributed again positively. If we look at the components, the three components, the U.S. Staffing and Inhouse down 4%, that's gross profit up 6%. This is adjusted for working days. Good performance in the admin and perm business.

U.S. Professionals down 5% and gross profit was just below last quarter. This reflects lower demand in finance and IT. We did have some projects being completed with our clients. And also here, perm improved through the quarter. Canada continued its growth rate at 3%. So, overall, a pretty good quarter in our North American business.

Slide eight is reflecting the usual integration process and synergies, the progress made. We again made steps and to the right-hand bottom of the page, you see annualized cost synergies. Please note that these are euro amounts so this, reflects the ambition of at least \$50 million.

Slide nine. France: ensuring adaptability. That's not easy in France. That's a rather lengthy process to adjust the organization. But it doesn't make life easy in this country. Revenue down 12%, still an improvement compared to Q4. We did see a stable trend through the quarter and Inhouse showing growth including transfers whereas Professionals was at minus 15% impacted also by perm.

Gross profit down, less, 9%. The gross margin was up 80 basis points and this includes the impact of the low wage subsidies, the Finance Act or the CICE subsidies in France. And I have some information about this at the right bottom corner of this page. This is where you see the CICE low wage subsidies coming in and it is being settled in the corporate income tax. So that means the cash is only transferred when offsetting it against CIT payments.

And given the developments in France, given the reorganizations running in France and the cost related to that, this means that you can see at the bottom here cash receipt after three years. It takes a while before cash comes in. So this has a substantial impact on working capital. It might well increase to a very substantial amount over time.

On the right hand of this picture, you see training and innovation. It's yet a little unclear how much we're going to invest, but it's clear we will invest in training and innovation, and we have also included that in our assessment, which we consider to be competitively sensitive. So I will not disclose the details, but it's clearly included in the 80 basis points improvement in the gross margin.

There's two more things to mention here. First of all, the gain, as such, is not taxable because it's offset against CIT payments. The expenses in training and innovation are tax deductible. So it's a pretty complex story here. But it supports the return in our French business.

The mix in our gross profit had an impact because Inhouse grew, versus a decrease in Professionals, and as mentioned in perm. Costs were down 6% year on year. This is the result of field steering. It does not yet include the reorganization. The reorganization looks at the new organizational structure, and we are anticipating a start in the month of June. As I said, lengthy discussions always in a process like this. EBITA margin at 1.7%, also reflecting 1.5 fewer working days in France.

In the Netherlands, the gross margin pressure continued, but this time it was very much the result of higher social security charges. Price increases are being implemented, but in a competitive environment, and we do have various other initiatives in scope, like we are retaining the cost of sickness of the flex worker, and we believe that that will positively contribute to the bottom line. Also, we are looking and implementing delivery model improvements to serve clients when prices are not at the level we would like to see them.

Revenues down 1% and this includes Yacht at minus 13%, where we still see an improved utilization rate, but still a minus 13%, a significant minus 13%. Costs are down 8% versus the previous quarter, so on a sequential basis also, including lower marketing costs, but also the restructuring programs that we have announced are starting to materialize, as a result of which FTEs are down by 4%. EBITA margin at 4.7%. Last year, we reported a divestment, which included a book profit, so that supported the result. We've got two working days less, and happy to see the recovery ratio in the Netherlands at 58%.

In Germany, we see also an easing decline. Revenues down 4%. This compares to 9% in the fourth quarter. It does include a significant price effect, as stated here. But also through the quarter, we did see an improving trend towards the month of March. We don't believe there is a reduced demand yet from equal pay, but it has an impact on the gross margin. Professionals did slow, but we did see good performance in the IT business in this segment.

Gross margin in Germany, there is some pressure here, and it's quite a cocktail of elements. The implementation of equal pay does have an impact here, and that is reflecting the fact that we charge it on to clients, but we do not generate the gross – the typical gross margin on this. And we do still have some discussions with clients on how to charge this.

We also did experience a flu epidemic in the first quarter. Higher sickness, and we believe it impacted the gross margin by roughly 40 basis points. We've also changed the accounting method for surcharges during the holidays. Typically, we were taking those in the quarter in which the holidays appeared, and now we are accruing throughout the year. And the three fewer working days in Germany clearly had an impact.

Strong cost control. FTEs down by 4%, and we have adjusted the results for an additional restructuring charge of €1.1 million. EBITA arrived at 3.1%. The recovery ratio close to target at 49%. The focus in Germany is on client profitability and delivery models.

Belgium, a difficult market, not easy at all. Taking into account the remark in the middle here, wage inflation. This country has an automatic wage inflation system, which increases the cost base by at least 3% to 4% and has a serious negative impact, but also I would say it makes the country less and less competitive. It's not a system that can continue forever.

Revenues at minus 9%, almost the same as in Q4, but stable through the quarter. Focus that we have is on profitability, client profitability supported by field steering, cost management and the EBITA margin arrived at 3.1%. The recovery ratio tells you some of the story, 39%; need to do a little more here.

The UK. The positive trend continues. Internal discipline drives the results here, field steering clearly supporting the improved profitability in the UK. Revenue at minus 1% now compared to minus 7% in Q4.

We do see an improving trend also here throughout the quarter and good growth in Professionals including the public sector education and we see a further decline in Inhouse, but that is reflecting the internal focus, the discipline. We continue to see good growth in MSP and RPO and perm fees are now at minus 9% compared to minus 16% in Q4.

Back office centralization well on track and EBITA now at 1.4%, reflecting the improved business mix, more Professionals and two working days less in the UK.

Iberia, finally a plus. It's only in the month of March. Revenue for the quarter in Spain was minus 1% that compares to minus 4% in Q4, but March showed a plus of 4%. And this clearly is our own performance, also in the market, doing well. And Q4, still at minus 12%. That was quite a difficult quarter and minus 1% now, feels somewhat better I can say.

Trends are positively impacted by Easter because of hospitality business. The improving trend is also driven by manufacturing. You might all have read that some of the automotive manufacturers have moved or are moving activities to Spain because of more attractive conditions. And given the story on France that I just shared with you, this is understandable, I would say. Professionals also showed continued growth.

In Portugal, not an easy context there, minus 14% in Q4; minus 8% in Q1; and March now by 1%-plus. Good performance in our call center business, which is a substantial part of our Portuguese business and a decline, a continued decline in manufacturing, but also in automotive here.

Costs down. Good cost management, FTEs down by 12%, resulting in an EBITA margin of 2%, with three fewer working days. In a rather competitive environment, everybody is searching for business and a very good recovery ratio as you can see.

Looking at the revenue development per industry, per segment. These are Randstad data. Well, I think the pluses and minuses speak for themselves. Food in the U.S. is better than in Q4, but quite some sectors in negative territory, some of that also because of choices that Randstad has consciously made. In Germany, the minus at automotive is still a double minus, but it improved versus Q4.

Moving on to the financial results now, the outlook on page 17. The income statement reflecting the numbers that I have just elaborated on. I'm just adding a comment here on amortization and impairment. It's less than the previous year. This is sort of reflecting bookkeeping rules and it's a

little less because we have finalized some of the amortization. And as a result of that, the rhythm has changed now €41 million in the quarter.

Slide 18 summarizing the key financial points. Free cash flow at €42 million versus €58 million last year. It's a little lower profitability as stated at the beginning of my contribution and we have a reinforced focus on the collection of trade receivables.

It's always difficult at the end of a quarter. Typically, there is a weekend that has an impact. Easter has a more of an impact than the Friday before Easter. Some of the banks were closed in some countries and that has an impact on working capital. And also the timing effect on the French subsidies, as I explained, will have impact.

Leverage ratio at a comfortable 1.5 within the range clearly. DSO improved again, one day year on year. The story continues. Our overdues are still close to 20%. So we believe there is still room to improve.

We issued the preference shares for €140 million against 5.8% yield and which is fully committed long term capital, so cheap equity and it's used to reduce the net debt position.

The effective tax rate amounts to 31%, again, very little impact from the French subsidies because we are conservative taking that given the tax position in the French business. Diluted EPS now down to €0.33 compared to €0.39 in the first quarter of last year.

Dividend, cash €84 million and we're going to issue, as we have announced in a separate press release, 4.5 million ordinary shares to cover the stock dividend, which compares to a dilution of 2.6%.

Our segments, I would like to point out the EBITA margin improvement in the Inhouse business and in the Professional business. So it's clear that clients – selected clients that have been transferred to Inhouse is reflecting win-win. Both the clients are more satisfied. We free up the capacity in the branch. And we serve them with high efficiency as you can see here. I'd like to mention in the Staffing segment the, again, improved profitability in the HRS segment, which includes outplacement, MSP, RPO.

Gross margin bridge on slide 20. Last year, first quarter, and, again, the first quarter is different from Q4, sequentially comparing gross margins does not make sense. Q1 last year arrived at 18%. We're now at 17.8%. And as you can see in between, an additional 0.2% impact in the first quarter of this year, which is explained here in the boxes below.

We have margin expansion, so a plus in North America. We have the benefit of the subsidies in France, but we have fewer working days compared to last year. And the changes in social securities and the equal pay system in the sort of the legislative context in Netherlands and in Germany.

HRS continued to grow and contributed the positive 20 basis points here and perm fees now arrived at 10.1% of gross profit compared to 9.9% last year. It's been a while ago that we were above 10% of gross profits, so back to that level now, but still a way to go through the historical levels of 2007, where it was between 12% and 13%.

Operating expenses down, on slide 21, comparing the sequential developments at the upper part of the slide, Q4 last year at €616 million and now at €592 million. And I would say next to foreign exchange and synergies and disposals, the typical adjustments organic in Europe and organic in the Rest of the World.

FTEs are down by 890 people sequentially from Q4 to Q1. If we compare year on year, €638 million and I already mentioned if you go back to Q2, it was €635 million on a constant-currency

basis. If you take Q1 as the base so we are well ahead of our targets of €70 million to €100 million for – within a year as from Q2 last year onwards. Impact of wage inflation plays a role here so that is something that is hard to compensate, but we're working on it.

Cost reduction initiatives, the slide that we always provide you. Here at the bottom, slide 22, you see a plus this time in the flexibility. So out of the total of €13 million, it combines both an increased cost because of, again, the wage inflation and some adjustments including marketing here, which we anticipate to adjust going forward. But I'll get back to that.

Moving on to the balance sheet elements here, slide 23. Again DSO, a good development, one day down. Not much to mention here. We continue to see good performance on bad debt. So leverage ratio 1.5. I would say a good balance sheet.

Looking at the next slide, which is cash flow. It reflects the somewhat lower EBITA to start with, the typical trend in working capital in the first quarter. Very little additions to CapEx, only €3 million, that's also because of the reduced infrastructure, some impact of the French subsidies here in the free cash flow, limited though.

And in the lower part, you can see the purchase of ordinary shares, which was related to the purchase – to the performance share plan and the issuance of preferred shares of €140 million arriving at a net debt decrease of €165 million.

That brings me to outlook. Again, stable trend from minus 5% in January to minus 3% in March, some signs of improvement in some countries. But please note again that there's never a linear trend here. It's always a bit erratic and our forward visibility is very limited.

Comparison base rather stable last year. Positive working day effect this time of 0.4 days in Q2, which includes 1.6 days more in Germany and there might be some impact of bridging days that are days in between public holidays and the weekends.

We believe we're well-positioned for 2013. The strong efficiency improvements that have been carried through create a foundation, a platform going forward and we'll also continue to see some of the cost reductions coming in. We anticipate a limited organic cost increase in Q2 due to higher marketing costs that might be a few tenths of a percent going forward and that of course will depend on the developments in the markets. And we'll also in the gross margin continue to see the impact of the legislative changes that have impacted Q1, which again will be compensated to the degree possible by price increases and with cost management.

The USG closing process continues to move as announced in the press release. So our key priorities are capturing profitable growth in North America, Asia, and Latin America; diversification of the portfolio, field steering – it won't disappear from the plate – client profitability focus, and this is supported by delivery models and focus on costs.

And I'm going to move to the exit rates for the month of March and then we'll move to Q&A. March 2013 for the Netherlands was at minus 1%; France, minus 11%; Germany, minus 1%; Belgium, minus 11%, that looks a little bad, but that was especially because of developments in March 2012. So I think underlying it's kind of flat through the quarter; and the UK at zero; Iberia, plus 3%, and North America, minus 3%, Rest of Europe, plus 7%, Rest of the World, plus 8%; and that brings the total to minus 3% for the month of March.

We now move into Q&A. Please go ahead.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Margo Joris from KBC Securities is on line with a question.

<Q – Margo Joris – KBC Securities NV>: Good morning, gentlemen. My first question is on Germany. Your EBITA margin declined by 140 basis points and you mentioned a 40-basis point negative impact from the sickness rates in the first quarter. Could you also share the impact from equal pay and fewer working days, please?

And then my second question is on the North American business. Could you shed a little bit more light on the trends in the perm business please? Thank you.

<A – Jacques van den Broek – Randstad Holding NV>: Yes, good morning, Margo. Jacques here on Germany. So the impact of the sickness rate, as mentioned, was 40 basis points and this was mainly January, February. So we do think this will not be recurring in Q2. So that's the good news.

Your second part of the question is a bit more complicated because, on the one hand, you see the impact of equal pay increasing. Because after six weeks, you see an increase for some people, we do see more and more collective labor agreements coming into play. There's now roughly some 40% of people touched. But we don't know yet what clients will do. As Robert Jan stated, we don't see less demand as a result of this system.

So, currently, you're seeing the exit rates in Germany. We're looking at a roughly stable volume, but an increasing price effect, a positive price effect. So that's roughly where we are in Germany, currently.

<A – Ben Noteboom – Randstad Holding NV>: Yes. Hello. Ben Noteboom. If you look at the perm development in North America, then we see that Professionals is more or less flat. And we see an over 40% growth in Staffing perm placements. So they are really doing very well, excluding RPO. So it's even more than that, but the RPO is a different tune. So it's getting better there actually. Well, again, but Professionals is flat, but Staffing is doing very, very well.

<Q – Margo Joris – KBC Securities NV>: And you're outperforming the market there?

<A – Ben Noteboom – Randstad Holding NV>: I don't know. We don't have reliable data on perm replacement in the market.

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

<A – Ben Noteboom – Randstad Holding NV>: What we do know is if you look at total North American performance, the top line, we are under market, we don't care that is with gross margin line we are at least at market I'm sure and because we really are improving there.

<Q – Margo Joris – KBC Securities NV>: Okay. Thank you. Yes, maybe third question, what kind of measures are you taking in Belgium to improve the recovery ratio there?

<A – Jacques van den Broek – Randstad Holding NV>: Yes, Margo, This is Jacques again. So we're disappointed with the bottom line and, of course, yes. As always it's about a focus on costs. What can we do in this trend, which well at first sight doesn't on a short term improve.

<A – Ben Noteboom – Randstad Holding NV>: Operator, next question.

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

Operator: Paul Sullivan from Barclays is on line with a question.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: Yes, good morning, guys. A couple of questions. Firstly, just on cost, can you just give a little bit more color on the development from here? Is the fourth quarter restructuring that you did is that largely all reflected in the Q1 SG&A now? And then you mentioned a slight step up in Q2. We should then see a step down in Q3 and because of the French business kicking in, is that correct? Is that the way we should be looking at it?

And in terms of the underlying cost inflation and any further investment, what are your thoughts on that? Can you still mitigate that or should we start to see a bit of cost creepers as things in Europe improves? That's the first question.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Well, the second – yes, as I mentioned this, the French restructuring will kick in as from Q3.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: Yes.

<A – Robert Jan van de Kraats – Randstad Holding NV>: That's one point. It's – we hope that we'll come to a conclusion in Q2. And we'll see an increase in marketing expenses as I mentioned in Q2 and I have to say that Q3 expenses will be a function of field steering, it depends on the trends that we'll see and I can actually say I hope it's going to go up because that would reflect a positive business trend.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: So we should view, unless things get worse, we should view Q1 definitely as the trough in costs?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes, it very much depends, if Q3 is going to show a negative – a more negative development, which we, at this point in time, do not see, and then we'll make sure we'll adjust the cost base. I think that is exactly the story that has come through in Q3 and Q4. Randstad is adapting to whatever trend we see in the market.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: Okay.

<A – Robert Jan van de Kraats – Randstad Holding NV>: We are just going to make sure to ensure that our marketing investments will be appropriate. That is a long-term issue that we need to address.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: Okay. And then just following on in France, the – your ability to retain the gross margin from the tax rebate, do you think – I mean how do you view that over time? Is there a risk that it will be competed away?

<A – Ben Noteboom – Randstad Holding NV>: You never know. That all depends, of course, on market, that will be actually strange because you've got an explicit instruction from the French government stating clearly that the subsidies belong to us, being the employer, we're spending the money where we should spend it, on training, et cetera. So we are optimistic about the fact that we can retain a fair share of that money for Randstad.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: And then just – okay, thanks. And then just final, on page 32, the outlets, something's just caught my eye a bit, the step up in Holland...

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

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: What was behind that?

<A – Ben Noteboom – Randstad Holding NV>: Yes, there were some a number of inhouse locations that were not actually counted before, so there was a correction in the past. It will have a big increase as you would conclude from looking at the numbers. Our apologies for that mistake.

<A – Robert Jan van de Kraats – Randstad Holding NV>: There's no debit and credit here. So sometimes, you are not completely on the right mark.

<Q – Paul Sullivan – Barclays Capital Securities Ltd.>: We'll give you that one. All right, thanks guys. Cheers.

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

<A – Robert Jan van de Kraats – Randstad Holding NV>: Next question?

Operator: Matthew Lloyd from HSBC is on line with a question.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: Good morning, guys. I just wanted a little help in understanding something. If I look at your French website, it shows 3,167 temp vacancies in April and 837 for March. Now I know a lot of the March vacancies will have been filled, but the same – is there a similar level of step-up in CDD and in perm? Are you seeing a lot more vacancies coming in or is that the normal rate at which I would see that number?

<A – Ben Noteboom – Randstad Holding NV>: I'll answer it because everybody is smiling and pointing at somebody else. We don't know how the – how this, how the website actually refers to the actual number of vacancies. What we do know if you look at randstad.com, then you'll see our global number of vacancies, which is an interesting indication, but I honestly don't know how they came to the 800 or nor to the 2,100.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: Okay.

<A – Ben Noteboom – Randstad Holding NV>: It seemed extremely lower given the fact that we employ some 80,000 people in France.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: I accept that. It's probably got multiple vacancies so for each thing, so if there's 10 people in the factory and stuff like that. Just one quick follow-up question, CDD, are you still booking that as a fee like it's perm or are you starting as I think the law enables you to do now to start – has anybody asked you to treat that like a temp placement for the one year effects or the 18 months? Is there a change in the CDD market?

<A – Jacques van den Broek – Randstad Holding NV>: Jacques here. Not yet visible in our numbers. If we have CDD we still record it as recruitment.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: Thank you very much.

<A – Jacques van den Broek – Randstad Holding NV>: Although we're happy with the opening to have more CDD in our own base as we also have in the Netherlands, for example. We've been lobbying for this quite a while. So we're happy on the development as such.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: Do you have salespeople out actually selling the concept of doing it to clients who use CDD because if I understand it correctly, 70% of French jobs start as CDD?

<A – Jacques van den Broek – Randstad Holding NV>: Yes, we have what we would call an integral selling model, so all our consultants sell all possibilities in terms of Staffing and CDD on the same profiles. And then we'll have the client decide on what he wants.

<Q – Matthew Lloyd – HSBC Bank Plc (Broker)>: Okay, thank you very much.

<A – Robert Jan van de Kraats – Randstad Holding NV>: I have two questions. I think someone there should put a mute because we hear some rumors in the background. And the second question I have, can you limit yourself to two questions, please? Operator, please go ahead.

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

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yes, good morning, gentlemen. I'll stick to two questions. First is on the cost reduction you mentioned. You mentioned an underlying cost reduction of €5.1 million, which is reduction from field steering and restructuring offset by wage inflation. Can you give a split for that what the reduction is from the field steering and restructuring and what the wage inflation and bonus accruals would have been?

And then my second question is on the profitability that you've shown in Staffing, Inhouse and Professionals, we see Inhouse and Professionals going up. Does that imply that the efficiency improvements that you've seen are not visible in the Staffing?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Teun, your first question on slide 22, the €13 million cost reduction, so that's net after FX effect is broken down into restructuring and synergies. Synergies out of that is limited because we have reinstated that at the slide on SFN, so that's only a very limited amount I think a bit more than a €1 million, there, the change? So €6.1 million includes the synergies so that leaves €5 million roughly for restructuring and flexibility is the €7 million that includes the reduction in marketing expenses, which we'll always see from Q4 to Q1, so I think that answers your question. And the second part?

<A – Ben Noteboom – Randstad Holding NV>: Yes, the effect, of course, of the reorganizations was mainly head office. That means it reduces the charges on top of that, say, the operational result and that's equal for all the countries, of course, and basically it means it's equal for relatively for, Inhouse, Professionals and Staffing. The thing left for the Staffing segment is that both in Holland and Germany we show lower profitability, that's the impact. So it's going to look better the rest of the year.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: All right. Sorry, on your first answer because I didn't fully understand it because in the press release for operating expenses, you mentioned that the marketing cost were €8 million below the level of Q4, and that the remainder, €5.1 million was the net result of restructuring and field steering?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes. So the fact that we have lower marketing costs is compensated by the wage inflation that we referred to earlier.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay, but can you split the €5.1 million into the restructuring and field steering versus the wage inflation and the higher bonus costs?

<A – Robert Jan van de Kraats – Randstad Holding NV>: No, Teun, that will be too detailed.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay, thank you very much.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Thank you.

Operator: Toby Reeks from Bank of America is on line with a question.

<Q – Toby Reeks – Bank of America Merrill Lynch>: Hi there, could I ask one on gross margin? I think in the past you said you think you'll get 50% of the gross margin from the changes in France. Do you still stand by that or it sounds like you're a bit more positive? And on that French gross margin, I mean, if you look at the long term, clearly, gross margins have been coming down over time. What – just in the temp gross margin, what do you think your ability is to actually raise that going forward? I mean obviously, it's difficult to see over the short term, but it does seem that getting back gross margins is much harder to see than giving it up.

<A – Ben Noteboom – Randstad Holding NV>: Yes. We took 0.5% in Q4 of the CICE. And of course, the margin to a large extent, the development is due to mixed effects because we see a bigger decline in Professionals than we see in other businesses. And Jacques is raising that he wants to add another point.

<A – Jacques van den Broek – Randstad Holding NV>: Yes. And maybe also please take into account that on the subsidy level, we also saw a decrease of more than 1% two years ago due to the allegements, which we fully compensated. And so it's quite an uphill or downhill ride however you look at it. Again, it needs to come from business mix. We invest a lot in units, aiming at specialty businesses. That's also the basis for our reorganization, larger branches in the cities to sell more – a broader portfolio, not just blue collar more perm and specialties and we're quite confident that, over time, that that business mix will take our gross margin up, although, France will always be a tough market from a gross margin point of view.

<A – Ben Noteboom – Randstad Holding NV>: I have some correction. We had no CICE in Q4. What we forecasted at the results of Q4 that we would have an impact about 0.5% on our gross margin. It turned out to be a bit higher this quarter. We had zero in Q4.

<A – Jacques van den Broek – Randstad Holding NV>: It's still uncertain, yes? It's still uncertain.

<A – Ben Noteboom – Randstad Holding NV>: Yes, yes.

<Q – Toby Reeks – Bank of America Merrill Lynch>: Okay. And then the second one's on the cost base. Just picking up what you said earlier and that's – I think you said that unless Q3 was more negative, .i.e., the revenue growth trajectory was more negative than Q2, you wouldn't be taking any more costs out, but I think at the last quarter, you're sort of talking about further sales steering restructuring programs are still yet to be executed. Is it the case as long as we are in negative territory, you will continue to take out costs? Or are we actually seeing some of that costs coming – some of that costs will start to come back and even if we are in negative territory?

And then the other point is could you actually quantify the increase in marketing expenses on a sequential basis expected in Q2, please?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Your first question, we are looking at this country by country and effectively within the country even at more detailed level and we have shared with you that we've got field steering. And from the top, we put pressure on it in case of growth we aim at return at an incremental conversion ratio of at least 50% and then a scenario of decline. So if that happens, we will be aiming at 50% recovery ratio, which means a compensation of at least 50% of lost gross profit through cross reduction. So that will also apply to the scenarios that will happen in Q3. So that will drive our decisions.

<Q – Toby Reeks – Bank of America Merrill Lynch>: Okay. Very clear. And then quantifying the cost from marketing this sequential increase?

<A – Ben Noteboom – Randstad Holding NV>: Yes. I'm not going to give the exact number that goes...

<Q – Toby Reeks – Bank of America Merrill Lynch>: The rough number?

<A – Ben Noteboom – Randstad Holding NV>: Yes. No. Yes. Let me finish first and then you can ask again. From Q1 to Q2, there's no additional actual initiatives. The increase will be actually more or less equal to last year, so it's normal seasonal effect. In Q3, we plan to spend a couple of tens of revenue extra, well a couple of tens of extra on revenue is easy to calculate.

<Q – Toby Reeks – Bank of America Merrill Lynch>: Okay. Thank you.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Next please?

Operator: David Tailleir from Rabo Bank is online with a question.

<Q – David Tailleir – Rabo Securities NV>: Yes, good morning, gentlemen. A follow-up on the CICE impact in France. If you look at the gross margin impact, how much does it filter through into the EBITA margin? Is that for the full extent or is that, let's say, half of it? Maybe you can give some color on that.

And then secondly, in terms of improvements in March and also into April, and I'm purely looking at the volume base, what kind of markets are improving at a volume level year on year compared to the Q1 trends? Thanks.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes, David, I'll take your question on the French subsidies first. I made a point in the presentation, the gross margin is up 80 basis points and that includes the contribution of the CICE. And that means it is already taking into account provisions for future investments, which is only an assessment at this point in time because we still don't have all the details that we need to come to a final conclusion. And that comes through at the bottom line.

<Q – David Tailleir – Rabo Securities NV>: So, the full impact is visible?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes. But again, taking into the account the provisions that we deem necessary, the accruals I should say that we deem necessary. And what was your second question, David?

<A – Ben Noteboom – Randstad Holding NV>: Volume improvements

<Q – David Tailleir – Rabo Securities NV>: On the volume trends, because for example Germany is improving, but that's more driven by price effects, if I again understand correctly. So let's say in a volume basis what kind of markets are improving the most into April?

<A – Ben Noteboom – Randstad Holding NV>: That's rest of Europe. For example, Sweden, what have you, slow markets. That's Spain, as we said, with growth in Q4. We see – actually, as you got the exit rates, the inflation in general is not very high with the exception of Germany and Belgium. So you could more or less actually take those trends and translate into volume, David.

<Q – David Tailleir – Rabo Securities NV>: Okay. Okay and maybe a quick follow up on CICE again. For next year, there will be an impact of 6%.

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

<Q – David Tailleir – Rabo Securities NV>: So could you share with us your thoughts on next year, what the impact would be on the gross margin?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes, David. That's how it's exactly – your assumption is right. It will move from 4% to 6%, it will be again offset through corporate income taxes, so the impact will increase in terms of working capital absorption and that's going to be a substantial number, north of €100 million, clearly. And the way we're going to sort of see that coming through at the bottom line will be very dependent on the same issues that I have just shared with you. We need further details, which we don't have today.

<Q – David Tailleir – Rabo Securities NV>: So thanks a lot for it, guys.

<A – Ben Noteboom – Randstad Holding NV>: Of course, we have an ambition here.

<Q – David Tailleir – Rabo Securities NV>: Can imagine. Thanks.

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

<A – Robert Jan van de Kraats – Randstad Holding NV>: Next please?

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

<Q – Arun Rambocus – Kempen & Co. NV (Broker)>: Yes, good morning, gentlemen, a couple of questions on the Netherlands. Can you talk about the difference between the private sector and the government vertical? Is there any kind of bottoming out in the government as well?

And the other question was about going back to slide number 10, the comment made about pricing in a competitive environment. Why would you be able to raise prices in a competitive environment? What's behind that? Can you explain the rationale?

And finally, can you update us on what the higher social charges are all about and what the impact was on the gross margin and what kind of impact we should expect further in the year? Thank you.

<A – Ben Noteboom – Randstad Holding NV>: Yes, your final question there was 3%, that also then again refers back to price increases. We had to increase prices with anything between 4% and even 7%, I think, so that was why – and we managed to a certain extent, but not completely. That's the effect on the pricing, and that's the pricing initiative. On government, as you can see I think at slide 15, you see that we are growing. But it's still the same picture as we've seen the last couple of quarters, whereas the growth is not in the Professional segment, it's in the Staffing segment, so we see Randstad in the Netherlands, for example, really growing. We've also taken share obviously, but that sector is doing better, but not for Professionals, and I hope to say that we are, in brackets, not yet.

<Q – Arun Rambocus – Kempen & Co. NV (Broker)>: So you're close to sort of 0% in the Professional sector and Public, that's what you're saying?

<A – Ben Noteboom – Randstad Holding NV>: No, not yet.

<A – Jacques van den Broek – Randstad Holding NV>: Decline – Arun, decline in Professionals in the Netherlands moved from a double-digit decline to a single-digit decline.

<Q – Arun Rambocus – Kempen & Co. NV (Broker)>: Yes.

<A – Jacques van den Broek – Randstad Holding NV>: But a gradual improvement.

<Q – Arun Rambocus – Kempen & Co. NV (Broker)>: Okay, thank you very much.

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

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

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Yes, good morning, gentlemen, two questions from my side. First, I want to drill a bit into the gross margin. Could you share with us the impact on the Dutch gross margin from the social security premiums, and you mentioned also the initiatives on sickness days?

And following up on that, on gross margin, what do you feel – what could be the trend going into the second quarter? You have a little bit of tailwind from working days, but nevertheless, would you expect to see the gross margin trending up a bit, or do you expect a more flattish trend into Q2? That's the first.

And the second one on trends – top line trends going onto the second quarter, you mentioned in April seeing a gradual improvements continuing like seen in Q1, but is – you mentioned is working day adjusted, but I can imagine that only with three weeks in, with a week including Easter, it is hard to guesstimate a working day impact, because people might have taken more holidays. Would you say that the trend is really improving, or is it more like Manpower said, and a stable trend?

<A – Ben Noteboom – Randstad Holding NV>: Yes, I don't know what a stable trend is, because...

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Yes, say a similar rate in terms of volumes, because if I mention – if I hear you saying rest of Europe, Spain and some smaller countries seeing some improvements, but the big countries not, I would suspect that it's more a flat line.

<A – Ben Noteboom – Randstad Holding NV>: Yes, I think the improvement in Sweden is something like 62%. So that's not small, but it's a small country. So the effect is small, that's why I referred to small. We just mentioned, by the way, your first question I just answered to Arun. It's a 3% effect of social security charges and the sickness actually, again, we've obviously built a business case. And what we have had for years is an organization within our Dutch opcos that actually make sure that we reduce limit and the sick leave to a minimum. And if people get sick, to get them back to work ASAP.

So we have eight years of reliable data. Based on that, we built a business case that, if we would take the risk ourselves instead of being charged the average, we could make money, and there's no reason to actually not see that happening. Obviously, the first quarter still had a limited impact because we're building up the provisions, et cetera, but that's going to have a positive effect. I don't want to quantify it yet, but I'm sure we can share more insight in the course of the year.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: But it's really sizeable?

<A – Ben Noteboom – Randstad Holding NV>: It is sizeable, yes.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: And the 3% social security charge, how do we calculate that back to the margins?

<A – Ben Noteboom – Randstad Holding NV>: Well, actually, that was of course 100% margin and then we compensated a bigger part of it by price increases and are still working on that, because that's always a process that takes a bit more time. Not every client is happy to increase his charges in the midst of a contract, for example. So you need some time to compensate for that.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: What do you think the balance will be of the two?

<A – Ben Noteboom – Randstad Holding NV>: On balance, because you also asked our expectation for the second quarter. And margin normally, of course, the margin goes up through the year, based on different things. One of them is the different initiatives we have, more efficient, better price management. Again, more working days, as I said, et cetera, et cetera. So all these effects normally lead to a higher gross margin in Q2, Q3, and Q4, and I don't see any reason why that would not happen this time.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: So you don't think that the equal pay, the ramp up of that, will mitigate a bit the normal seasonal trends?

<A – Ben Noteboom – Randstad Holding NV>: I think we'll still have the seasonal trends. I mean a few tenths of a difference there, that's too early to call that. But again, we – I think we're doing a lot, both on the pricing and on the efficiency internally, to compensate for those effects.

<A – Jacques van den Broek – Randstad Holding NV>: And of course, the gross margin in the U.S. continues to expand. So there was also the opposite.

<Q – Marc Zwartsenburg – ING Bank NV (Broker)>: Thank you very much.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Thank you.

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

<Q – Tom Sykes – Deutsche Bank AG (Prime Brokerage)>: Yes, good morning, everybody. Just a couple of questions on North America, please. Firstly, do you have a view on how much more revenue you may shed in North America? And secondly, I suppose on the market data, if we look at the number of temps, it's sort of back to peak, the penetration is back to peak. But one presumes the mix of that is different to where we were in 2007, in that we're now getting some signs of clerical improving, and you allude to clerical improving. So would you expect that to push the penetration rate higher? And sort of what are you actually seeing in the clerical market, please?

<A – Ben Noteboom – Randstad Holding NV>: Yes, I will expect the penetration rate to go up, and again, rightly so, as you mentioned, the effect is double, price times quantity, price going up because the penetration rate in the Professionals market is structurally increasing. The amount of revenue we want to share, obviously, it's difficult to forecast because what we do is, we go to a client and tell them, listen, we love you, but we don't like you anymore. So we'll stay good friends, but we leave, and a number of them actually accept price increases, so it's difficult to actually call that number exactly. I'm also not too focused on that, because I look at our gross margin development and that's favorable, and that's what we're looking at a lot more than on the top line.

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

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

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

<Q – Konrad Zomer – Berenberg Bank>: Hi, good morning. Two questions, first on the automotives business, both in Germany and France. You mentioned at the time of the full year results that volumes were down at a double digit rate in January. And if we look at the numbers from the car manufacturers, they have been very poor, particularly for March. So we're slightly surprised you mentioned earlier that the automotives business in Germany had actually slightly improved throughout the quarter. Can you maybe share with us, is that a company-specific thing, or is that something you see different in the market?

And my second question, I may have missed this earlier, but can you explain a little bit more what the working capital impact could be in France from this tax credit, and why it would have such an impact on working capital going forward?

<A – Ben Noteboom – Randstad Holding NV>: Yes, the remark in automotives Germany was that the decline was less than it was in Q4. And as you can see on slide five – 15 I think it is, you also see that, for example, automotive in the Netherlands, and that's mainly truck manufacturers, is actually double-digit improving. But, anyhow, for Germany, anyhow, it's a lesser decline than it was in Q4, Konrad, maybe we didn't express that clear enough, and then on CICE.

<Q – Konrad Zomer – Berenberg Bank>: Well, yes – no, I expected there to be a decline anyway, but it has actually, in terms of the output and the production of the car manufacturers, the decline in March was actually a lot worse than the decline in January.

<A – Ben Noteboom – Randstad Holding NV>: Yes, well it can be. Maybe they work less efficient. I don't know. I don't have the insights on – that detailed on the automotive, I'm sorry.

<Q – Konrad Zomer – Berenberg Bank>: Right, okay.

<A – Robert Jan van de Kraats – Randstad Holding NV>: And another thing, the quarter as a whole, your question about the working capital impact of the French subsidies. As I mentioned, it will grow to a level over time, because next year it goes from 4% to 6%, to an amount north of €100 million and I still think below €200 million, but somewhere in between. So very substantial. And it'll last three years before the money is collected, so before the cash flow arrives in the company. That's our assessment now, and this again relates to the tax position of the company.

<Q – Konrad Zomer – Berenberg Bank>: Okay.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Effectively it means you have to pay tax before you can get the money. So if we come to the point that we're going to pay tax, this will be the one to offset it against.

<Q – Konrad Zomer – Berenberg Bank>: Okay, thank you.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Thank you.

Operator: Lebrun Olivier from Natixis is on line with a question.

<Q – Olivier Lebrun – Natixis SA (Broker)>: Good morning, Olivier Lebrun, Natixis. My first question is related to the U.S. Staffing. Will the focus on profitability continue in Q2, and will it continue to affect the organic sales growth in Q2? Second question's on France and on CICE. It is already possible to quantify the full-year positive impact of CICE on gross margin in France, please?

<A – Robert Jan van de Kraats – Randstad Holding NV>: The first question, the answer is yes.

<A – Jacques van den Broek – Randstad Holding NV>: And the second question, the answer is no.

<A – Ben Noteboom – Randstad Holding NV>: Now, obviously we keep on focusing on profitability. That's clear. And again, I don't care about top line, I care about gross margin increases. We're doing very, very well here. We have shed some low margin contracts. Our Perm is growing over 40% in Q1. In Staffing, the mix is better. There's more white collar that's actually doing well. So we're very pleased about that.

Yes, on the CICE, we already mentioned that it's – the result of the calculation is a result of quite a few variables. And a few of them actually we cannot forecast, because it's behavior of clients, competitors, government, et cetera, et cetera. By the way also temps, because if there's training available, they have to go on follow-up trainings. So that's still too flexible a mix to actually – to forecast it exactly.

<Q – Olivier Lebrun – Natixis SA (Broker)>: Okay, thank you.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Thank you.

<A – Ben Noteboom – Randstad Holding NV>: Final question, I guess.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes, we're getting to the final question now.

Operator: The final question is from Hans Pluijgers from Chevreux.

<Q – Hans Pluijgers – Chevreux>: Yes, good morning, gentlemen. Two questions from my side. First, looking at the gross margin. You indicated at the EBIT level, the workers – less working day, an impact of about 30 basis points. At least, that I could read from your – but you're saying that it will be equal to last year. Is that correct that also gross margin, the impact is about 30 basis points?

And secondly, looking at Yacht, clear decline in sales. You said the bill rates are clearly under pressure. But how long are you able to adjust your own capacity to keep going on with such a decline in hours worked and bill rate, how flexible are you in that side?

<A – Ben Noteboom – Randstad Holding NV>: Yacht, this is simple because yes, it is possible, based on the reorganizations we have had. So we – and obviously we can still reduce cost. But the main thing, and the main effort today is, we're more efficient in sales and recruitment. This ongoing increase in productivity that now has led to a reasonable profitability. We're actually more than happy there. It's quite an improvement.

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes. And the extra working days, if we would have had them, would have brought additional revenues, additional gross profit, and that then comes through with a sort of a controlled cost base at the bottom line, and that was the base for my remark that I believe that it might have arrived at the same percentage as last year. So it's the contribution to gross profit rather than to the margin.

<A – Ben Noteboom – Randstad Holding NV>: And if you'll only look, for example, at Germany again, as you know, the impact of three working days less is huge. So that sort of effect, of course. But then you have to quantify them for the whole Group, but , anyhow, yes?

<Q – Hans Pluijgers – Chevreux>: But in principle, that means that if you – let's say, your impact on EBITA level is about 30 basis points and also, it will be also be at gross margin. Or are you talking only about absolute numbers here?

<A – Robert Jan van de Kraats – Randstad Holding NV>: Yes, correct. So gross profit rather than gross margin.

<Q – Hans Pluijgers – Chevreux>: Okay.

<A – Robert Jan van de Kraats – Randstad Holding NV>: That's how I conclude. So it's more revenues with gross profit and good conversion to the bottom line. That's it. All right.

<Q – Hans Pluijgers – Cheuvreux>: I've one follow-up on Yacht with respect to – because if the bill rates are under pressure, how able are you to also to reduce your wage you pay to your temps, or your secondment people? This is of course also an issue, if you are able to that. Otherwise, it would come – your gross margin would come under pressure.

<A – Ben Noteboom – Randstad Holding NV>: No. Actually, again, we've taken the provisions to reduce the number of people we employ permanently. In general, those are the people that, if you want, not only personally but let's say overpaid, if you would position them in the current market. So for those people, we could not get the right rates and/or we could not get the jobs. So we've actually reorganized that.

So we've done it on two sides. We reduced the number of people we cannot put to work or at the right price and we've made the internal organization a lot more efficient. Resulting in, again, I said a very reasonable, especially given the fact it is the first quarter. A very reasonable profitability for Yacht, with good outlook for the rest of the year.

<Q – Hans Pluijgers – Cheuvreux>: Okay. Thank you.

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

All right. Think this is – we're going to complete the call now. Thank you very much for joining us, and we look forward to speaking to you again at the end of July when announcing the first half-year results. Thanks again. Bye.

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

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