



11 September 2006

## REGUS GROUP PLC INTERIM RESULTS SIX MONTHS ENDED 30 JUNE 2006

Regus, the world's largest provider of outsourced workplaces, announces today its interim results for the six months ended 30 June 2006.

### FINANCIAL HIGHLIGHTS

- Revenues up by 40.1% to £302.6m (H1, 2005: £216.0m)
  - Like for like revenue growth of 14.5%
- Gross profit (Centre contribution) up 67.8% to £81.7m (H1, 2005: £48.7m)
  - Like for like contribution growth of 49.2%
- Profit from operations up 83.3% to £33.0m (H1, 2005: £18.0m)
  - Operating margin up 31.3% to 10.9% (H1, 2005: 8.3%)
- Cash from operations up 79.7% to £56.6m (H1, 2005: £31.5m)
- Profit before tax up by 124.5% to £31.2m (H1, 2005: £13.9m)
- Basic EPS up 153.8% to 3.3p (H1, 2005: 1.3p)

*Like for Like is defined as the financial performance from centres owned and operated at 1 January 2005. They therefore have a six month comparative*

### STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Average available workstations increased by 24.6% to 96,402 (H1,2005: 77,358)
- Actual workstations increased by 38% to 114,269 in the 6 months to 30 June 2006
- Average occupancy increased by 5.6% to 80.5% (H1,2005: 76.2%)
- Average revenue per available workstation (REVPWA) increased 12.4% to £6,279 (H1,2005 £5,584 )
- On 19 April 2006, the remaining 58% interest in the UK business ("Regus UK") was acquired for a gross consideration (including fees) of £89.4m (£62.8m net of cash acquired of £26.6m).
- In addition to the UK acquisition, a further 46 new centres opened in the six month period to 30 June 2006. Acquisitions accounted for 32 of these centres.

### Commenting on today's announcement Mark Dixon, Chief Executive of Regus Group plc, said:

"It has been an excellent first half of the year for Regus and we have delivered a strong performance across all regions. Our strategy is to maximise the performance of our existing centres while increasing the scale of the business in a managed and controlled way. I am pleased to report that we have achieved on both counts having grown contribution on a like for like basis by 49% while at the same time increasing our workstation base by 38% to 114,269 at 30 June 2006. As we grow our international position we are also guarding the business against cyclicalities through the reduction of our exposure to the impact of unfilled centres, diversifying our customer base, increasing our forward visibility and working from a highly profitable cash generative base."

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Simon Sporborg / Paul Scott

This interim announcement contains certain forward looking statements with respect to the operations of Regus. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

## **Chairman's statement**

I am pleased to announce record first half results reflecting a continued improvement in our "like for like" business and the positive impact of opening new centres, integrating acquisitions and product innovation. This has been achieved while the Group continues to invest in people, facilities and technology as well as the necessary marketing expenditures to secure future growth.

## **Financial performance**

Group revenue increased by 40.1% to £302.6 million and on a "like for like" basis (excluding new centres) the growth was 14.5%. Profit from operations grew by 83.3% to £33.0 million and basic earnings per share increased by 2.0p to 3.3p. Average occupancy increased to 80.5% from 76.2% in June 2005 and REVPAW increased 12.4% from £5,584 to £6,279. Net debt was £0.3 million at 30 June 2006. In March 2006 we signed a new £150 million credit facility inclusive of £50 million term debt. The latter was used to finance the acquisition of the UK business. The new facility, which is structured as a five-year revolving credit and letter of credit facility has been negotiated on significantly more favourable terms, reflecting the strong progress the business has made since the purchase of HQ Global Holdings Inc. ("HQ") in 2004.

## **Sustaining growth**

We continue to implement our disciplined expansion strategy. In the 6 months to 30 June 2006 our workstation capacity has increased by 38% to 114,269 workstations.

## **Dividend**

The Board is not recommending the payment of an interim dividend.

## **Our stakeholders**

We rely on the goodwill and commitment of our landlords, suppliers, customers and investors as we continue to maintain our record of double digit sales growth. Our team members have played a key role in our success to date and a special thanks goes out to our 3,900 team members.

## **Outlook**

The Group will continue to pursue its objective of achieving, on average, double digit sales improvements through a combination of like for like sales improvements, new centre openings and acquisitions. The acquisition and new centre opening pipeline remains strong and the Group will continue to seek out new opportunities for product and geographic diversity. Our contracted level of demand and current level of enquires supports our view that we will continue to deliver controlled growth over the remainder of 2006. Our proven strategy, supported by a central leadership team and strong regional organisations will ensure that we continue to deliver growth and improvement in the coming year.

John Matthews  
Chairman  
11 September 2006.

## **Chief Executive's Review**

As well as delivering record levels of growth in sales and profits, we have, at the same time, been building the foundations for continued growth and an improved competitive position in the future.

### **Our strategy**

Our results to date demonstrate that our strategy is working and providing the right impetus for present and future success. We will continue to keep our strategy simple and focused on the following six key activities:

- Growing through acquisitions and new centre openings
- Developing new and innovative products
- Investing in systems and technology
- Implementing operational excellence
- Expanding the brand and diversification
- Developing our team members

### **Growing through acquisitions and new centre openings**

Our performance over the last two years demonstrates that we can deliver double digit growth in revenues. We look for opportunities to grow through bolt on acquisitions and new centre openings and currently aim to invest circa £80 - £100 million per year on this type of growth. We are constantly looking for opportunities to develop our business, both within existing countries and elsewhere, as well as looking to expand the range of products that we sell and the customer segments that we serve.

Since acquisition, the UK business has contributed revenues of £34.3 million and profit from operations of £1.8 million. At 30 June 2006, the UK operated 98 centres of which 3 related to a Joint Venture. We have made significant organisational changes to enhance performance – helped by the fact that the UK operations were already integrated into the Regus systems. This has allowed us to focus on operational improvements, which have already started to positively impact revenues and bottom line profit.

As well as reacquiring our 58% share of the UK business, in June 2006 we acquired Gainsborough business centres, which contributed a further 1,986 workstations to capacity. Also on 30 June 2006, we purchased Managed Office Solutions who specialise in short term managed sublets for multi-national and corporate clients.

Excluding the UK acquisitions, in the six months to 30 June 2006 we completed seven further bolt on acquisitions for a gross consideration of £8.9 million. Five of these acquisitions were in the Americas, one in EMEA and one in Asia Pacific. We look for our acquisitions to deliver product and geographic diversity. We have expanded into new markets, namely, Guangzhou, Dalian and Shenzhen in China, Gurgaon and Bangalore in India and Yokohama and Nagoya in Japan. As a result of our growth, we have established leadership positions in Hong Kong, China, India and Australia.

In July 2006 we acquired Laptop Lane, which comprises fourteen business centres/ retail outlets in eight major USA airport locations. We plan to rebrand this business Regus Express, and to use it as a platform for further growth of airport locations in the USA and other countries.

In addition to the above acquisitions, we opened 14 new centres, with the split in favour of Asia where we have opened 50% of these new centres. We strongly believe that each of the new businesses we acquire and new centres opened has real potential and offers substantial opportunity for future organic growth.

## **Developing new and innovative products**

We aim to meet customer demands by providing the products and services they need, when and where they need them, at prices that help them achieve their objectives. Regus invests significant resources, both internal and external, in anticipating customers' changing needs and also in creating new and better ways of meeting those needs.

In response to customer demand, we have created specific management services tailored to meet individual requirements. One such product is Netspace, a fully outsourced solution designed to assist companies in setting up new sales operations or overseas offices. Through this service, Regus sources, negotiates, acquires and leases the workspace to the client's needs in addition to managing IT, telecoms procurement and installation.

## **Investing in systems and technology**

Continuous improvement is a way of life at Regus, as is working together and sharing ideas for growth and success. We understand there is always a better way to work and we have made substantial investment in business improvements designed to lay the long term foundations for the business. Over the last six months we have made significant investments in technology that will enable us to work faster and more efficiently. As an example, we are currently rolling out a bespoke inventory, reservation and billing system, implementing a new HR system and developing a business data warehouse system which will hold financial and operating data across the Group.

## **Implementing operational excellence**

With operations in 60 countries, Regus has access to a wide range of experience, expertise and benefits of scale. The Group seeks to leverage this experience by sharing the benefits across the business. In recent months we have continued to focus on establishing the optimal organisational and business structure in each region, supported by Group management giving leadership in areas such as strategy, property, acquisitions, finance, human resource management, IT and legal. This is a structure we have been working towards as a platform for the future, enabling us to exploit opportunities and synergies within each region as well as between regions, whilst still allowing management to run their businesses locally and to recognise market opportunities within their own geographies. The Group is already establishing synergies in purchasing and global sourcing through consolidation of its global suppliers and collaborating with key partners. As an example we are partnering with two major IT suppliers to procure our global IT/Technology and infrastructure requirements around the world. In addition through our School of Excellence we are sharing expertise and experience in training, development, sales and marketing.

## **Expanding the brand and diversification**

Through our brands, we provide customers with a choice of locations, features and pricing points. Broadening the diversity of the business has enabled the Group to achieve a resilient business model, which can handle a variety of economic cycles. We look to broaden the diversity of our business by deploying the following measures:

- Increasing our geographical coverage both in existing and new countries.
- Widening our lines of business by entry into new sectors and services
- Broadening the customer base
- Expanding our range of products and services by continuing to invest in innovative products and product enhancements, which support our customers' evolving needs.

By way of example our Network Access card has been very successful with over 25,000 members joining the program since its launch in November 2005. American Airlines and Citibank recently joined the programme and we expect their membership requirements to be in excess of 300,000 members.

### **Developing our team members**

We have 3,900 team members who work for the Regus network. Our objective is simple – to improve the quality of our people in order to improve the service to our customers and grow our business. We invest in our people to ensure that we can attract and retain talented and committed individuals who will underpin our future. Efforts include the establishment of a Global School of Excellence in Dallas, which will train some 400 team members per year. In addition, on a local country basis we operate a comprehensive induction and continuous development programmes for all our centre staff.

### **Looking ahead**

Looking ahead we are confident that our growth strategy will continue to strengthen the Group as we continue to deliver attractive rates of profit growth and strong cash generation over the long term. We have had an excellent first half and I look forward to reporting further progress at the year-end.

Mark Dixon  
Chief Executive  
11 September 2006

## Financial Review

### Introduction

The trading results for the half year reflect strong like for like growth and the additional contribution from acquisitions and 2005 new centre openings. These results have been achieved whilst also investing in people, facilities, technology and marketing to secure future growth.

The three key operational drivers have all improved. The weighted average number of workstations increased by 24.6% to 96,402. At the same time average occupancy increased from 76.2% to 80.5% and average revenue per occupied workstation (REVPOW) increased by 6.4% from £7,328 to £7,799. This results in our key indicator REVPAW, increasing 12.4% from £5,584 to £6,279.

Against a relatively fixed cost base these factors have delivered a £15.0 million increase in profit from operations rising from £18.0 million in H1, 2005 to £33.0 million in H1, 2006.

### Revenue and Gross profit (Centre Contribution)

Revenue for the Group rose 40.1% to £302.6 million (H1, 2005: £216.0 million) and gross profit (centre contribution) increased 67.8% to £81.7million (H1, 2005: £48.7 million).

This movement can be analysed as follows

(£ million)	Revenue	Gross profit	% of Revenue
<b>30 June 2005</b>	<b>216.0</b>	<b>48.7</b>	<b>22.5%</b>
Growth in mature business	30.9	23.9	
Centres added in 2005	19.0	4.4	
Centres added in 2006	38.8	5.1	
Centres closed	(2.1)	(0.4)	
<b>30 June 2006</b>	<b>302.6</b>	<b>81.7</b>	<b>27.0%</b>

The mature business increased revenue by £30.9 million principally driven through improvements in occupancy, which increased from 76.8% to 83.2%. This resulted in a £23.9m increase in gross profit.

Centres added in 2005 contributed a further £19.0 million of revenue and £4.4 million of contribution. This was due to both underlying improvements in the performance of these sites and the impact of accounting for them for a full six months.

New centres added in 2006, both organic and by acquisition, contributed a further £38.8 million of revenue and contribution of £5.1 million.

Following the purchase of the 58% interest in Regus UK, the Group acquired full control of the financial and operating policies of the UK business. As a result, in the period 19 April 2006 to 30 June 2006 the UK business was fully consolidated as a subsidiary and contributed £34.3 million of revenue and £5.6 million of contribution. Prior to this date, the results of the UK operation were equity accounted as an associate.

Taking all this together contribution margins improved from 22.5% to 27.0%.

### **Administrative expenses (before non recurring items)**

Administration expenses before non-recurring items have risen from 12.8% of revenue in the first half of 2005 to 16.1% of revenue in the first half of 2006.

This increase arises principally from the impact of growth related investments made in the second half of 2005 during which period administrative expenses before non recurring items were 15.0%.

The year on year increase arises from three particular areas:

- establishment costs to support the growing scale of the business (eg country managers, improved systems and processes)
- costs necessarily incurred to secure workstation growth in a controlled and efficient manner (eg teams to identify, secure and integrate new business)
- marketing costs to drive occupancy primarily in new centres

As these costs are incurred ahead of the full revenue impact of growth they consequently rise as a proportion of revenue.

### **Non-recurring items**

In the six months to June 2005 the Group incurred £3.0 million of integration costs associated with the HQ acquisition in the USA. No similar costs have been incurred in the 6 months to 30 June 2006.

### **Profit from operations**

Profit from operations was £33.0 million (H1, 2005: £18.0 million), representing a margin of 10.9% (H1, 2005: 8.3%).

### **Share of profit in joint ventures and UK associate**

In the six months ended 30 June 2006, the share of joint venture profits attributable to Regus increased to £0.3 million (H1, 2005: £0.1 million loss) as they benefited from better trading conditions. During the period 1 January 2006 to 19 April 2006, the UK business was equity accounted. Our 42% shareholding resulted in a £0.7 million profit (H1, 2005: £0.9 million loss) being credited to our Group profit and loss account.

### **Financing costs**

Financing costs can be summarised as follows:

<b>(£ million)</b>	<b>June 2006</b>	<b>June 2005</b>
Interest payable on bank loans and overdrafts	(2.5)	(3.3)
Interest receivable	0.7	1.0
Finance lease interest	(0.3)	(0.5)
Amortisation of deferred financing fees	(0.1)	(0.3)
UK acquisition related – non cash item	(0.6)	-
<b>Total financing costs</b>	<b>(2.8)</b>	<b>(3.1)</b>

The reduction in interest payable reflects the repayment of the US\$155 million loan facility secured in August 2004 to fund the acquisition of HQ and the subsequent arrangement of credit facilities on more favourable terms. Lower interest receivable reflects a decrease in average free cash balances of £10.0 million to £47.0 million (£57.0 million in H1, 2005). The movement in the cash balance has been explained in the cashflow section below.

Underlying finance lease costs have fallen in line with the reduction in finance leases. The amortisation of deferred financing fees relates to loan arrangement costs incurred for the new credit facilities entered into during the first half of this year. The unwinding of discounted fair value adjustments on the Regus UK acquisition resulted in a non cash net financing charge of £0.6 million in the period to 30 June 2006.

### Taxation

As the business performance has strengthened, it is necessary to recognise in the Income Statement a greater proportion of the value of the tax losses that the Group holds. Accordingly in 2006, £4.8 million (H1 2005: £0.9 million) has been credited to the profit and loss account, which has correspondingly increased the deferred tax asset in the balance sheet. This has been partially offset by a £3.7 million (H1, 2005: £1.8 million) tax charge which resulted in a net tax credit of £1.1 million (H1, 2005: £0.9 million tax charge) to the profit and loss account. Thus, despite being profitable, the Group has a net tax credit for the six months to 30 June 2006. On a cash tax basis the Group paid £3.3 million in tax. Cash tax represents approximately 10.6% of profit before tax.

### Earnings per share

Earnings per share for the half year increased 153.8% from 1.3p to 3.3p. The average number of shares in issue during the first half was unchanged at 984,792,040 (H1, 2005: 984,792,040).

### Cashflow

Strong operating cash flow remains a prime feature of the Group. Driven by the improvement in profit from operations and an improved working capital performance, operating cash flow increased by £25.1 million to £56.6 million (H1, 2005: £31.5 million). The Group's cash flow statement has been summarised below.

(£ million)	June 2006	June 2005
<b>Cash generated from operations</b>	<b>56.6</b>	<b>31.5</b>
Tax and net interest paid	(4.9)	(3.9)
Maintenance capex	(9.7)	(3.0)
<b>Free cash flow</b>	<b>42.0</b>	<b>24.6</b>
New centre openings	(5.8)	(2.5)
UK acquisition	(61.4)	-
Other acquisitions and JV investments	(14.6)	(3.0)
Financing	42.5	(18.5)
<b>Change in cash</b>	<b>2.7</b>	<b>0.6</b>
<b>Opening cash</b>	<b>74.1</b>	<b>82.3</b>
Change in cash	2.7	0.6
Effect of exchange rates on cash held	(1.0)	(1.4)
<b>Closing cash</b>	<b>75.8</b>	<b>81.5</b>

The strong cash performance has enabled the Group to invest in growth. Specifically, during the first six months, 14 new centres were opened at a cost of £5.8 million. The UK was acquired for a net consideration before fees of £61.4m (with fees £62.8m) and a further 9 businesses plus a Joint Venture were acquired for a net cash consideration of £14.6 million.

This growth has been in part financed by bank borrowings. Following this the Group's net cash position can be analysed as follows

<b>(£ million)</b>	<b>June 2006</b>	<b>June 2005</b>
Cash and cash equivalents	75.8	81.5
Debt	(71.4)	(52.9)
Finance leases	(6.4)	(9.6)
Un-amortised financing fees	1.7	3.7
<b>(Net debt )/financial assets</b>	<b>(0.3)</b>	<b>22.7</b>

Stephen Gleadle,  
Chief Financial Officer  
11 September 2006

## Consolidated Income Statement

		Six months ended 30 June 2006 (unaudited)	Six months ended 30 June 2005 (unaudited)	Year ended 31 Dec 2005 audited
	Note	£m	£m	£m
<b>Revenue</b>	2	302.6	216.0	<b>463.3</b>
Costs of sales before non recurring costs		(220.9)	(167.3)	<b>(346.2)</b>
Non recurring cost of sales		-	-	<b>0.1</b>
Cost of sales		(220.9)	(167.3)	<b>(346.1)</b>
<b>Gross profit (centre contribution)</b>		<b>81.7</b>	<b>48.7</b>	<b>117.2</b>
Administrative expenses before non-recurring expenses		(48.7)	(27.7)	<b>(64.9)</b>
Non recurring administrative expenses		-	(3.0)	<b>(5.0)</b>
Administrative expenses		(48.7)	(30.7)	<b>(69.9)</b>
<b>Profit from operations</b>		<b>33.0</b>	<b>18.0</b>	<b>47.3</b>
Share of profit/(loss) of joint ventures		0.3	(0.1)	<b>(0.2)</b>
Share of profit/(loss) of associate		0.7	(0.9)	<b>0.2</b>
<b>Profit before financing costs</b>		<b>34.0</b>	<b>17.0</b>	<b>47.3</b>
Financial expense		(3.5)	(4.1)	<b>(10.8)</b>
Financial income		0.7	1.0	<b>2.2</b>
<b>Profit before tax</b>		<b>31.2</b>	<b>13.9</b>	<b>38.7</b>
Tax credit/(charge)		1.1	(0.9)	<b>6.1</b>
<b>Profit after tax</b>		<b>32.3</b>	<b>13.0</b>	<b>44.8</b>
Attributable to:				
Equity shareholders		32.3	13.0	<b>44.5</b>
Minority interest		-	-	<b>0.3</b>
		32.3	13.0	<b>44.8</b>
<b>Earnings per ordinary share (EPS):</b>				
Basic and diluted EPS (p)		3.3	1.3	<b>4.5</b>

# Consolidated Balance Sheet

	As at 30 June 2006 (unaudited) £m	As at 30 June 2005 (unaudited) <i>Restated</i> £m	As at 31 Dec 2005 (audited) £m
<b>Non-current assets</b>			
Goodwill	208.3	105.9	122.1
Other intangible assets	52.3	36.5	38.9
Property, plant and equipment	118.2	69.8	76.6
Deferred tax assets	27.3	7.2	21.9
	406.1	219.4	259.5
<b>Current assets</b>			
Trade and other receivables	152.2	87.4	99.6
Cash and cash equivalents	75.8	81.5	74.1
	228.0	168.9	173.7
<b>Total assets</b>	634.1	388.3	433.2
<b>Current liabilities</b>			
Trade and other payables	(109.5)	(62.8)	(73.8)
Customer deposits	(97.2)	(52.8)	(61.7)
Deferred income	(69.5)	(39.1)	(45.6)
Corporation tax	(22.5)	(7.9)	(12.3)
Obligations under finance leases	(4.4)	(4.7)	(4.8)
Bank overdrafts and loans	(2.5)	(7.6)	(24.5)
Provisions for liabilities and charges	(4.6)	(12.0)	(7.2)
	(310.2)	(186.9)	(229.9)
<b>Net current liabilities</b>	(82.2)	(18.0)	(56.2)
<b>Total assets less current liabilities</b>	323.9	201.4	203.3
<b>Non-current liabilities</b>			
Other payables	(54.7)	(25.9)	(27.9)
Obligations under finance leases	(2.0)	(4.9)	(3.4)
Loans	(68.9)	(41.7)	(5.4)
Provisions	(10.5)	(7.9)	(7.9)
Provision for deficit on joint ventures	(3.5)	(1.5)	(2.1)
Provision for deficit on associate	-	(5.3)	(3.8)
	(139.6)	(87.2)	(50.5)
<b>Total liabilities</b>	(449.8)	(274.1)	(280.4)
<b>Net assets</b>	184.3	114.2	152.8
<b>Equity</b>			
Share capital	49.2	49.3	49.2
Share premium account	-	153.5	153.5
Revaluation reserve	6.4	-	-
Other reserves	(22.6)	(22.7)	(22.6)
Retained earnings	151.3	(65.2)	(27.3)
Equity attributable to equity holders of the parent	184.3	114.9	152.8
Minority interests	-	(0.7)	-
<b>Total equity</b>	184.3	114.2	152.8

Analysis of other reserves is included within the Statement of Changes in Equity

# Consolidated Cash Flow Statement

	Six months ended 30 June 2006 (unaudited) £m	Six months ended 30 June 2005 (unaudited) £m	Year ended 31 Dec 2005 (audited) £m
<b>Profit before tax</b>	31.2	13.9	38.7
<i>Adjustments for:</i>			
Net finance costs	2.8	3.1	8.6
Share of (profit)/ loss on joint ventures and associate	(1.0)	1.0	-
Depreciation charge	14.7	15.1	25.6
Loss on disposal of fixed assets	(0.1)	0.3	0.3
Amortisation of intangible assets	2.0	1.3	3.8
Decrease in provisions	(2.4)	(2.0)	(5.7)
<b>Operating cash flows before movements in working capital</b>	47.2	32.7	71.3
Increase in trade and other receivables	(0.3)	(5.5)	(17.0)
Increase in trade and other payables	9.7	4.3	23.8
<b>Cash generated from operations</b>	56.6	31.5	78.1
Interest paid on finance leases	(0.3)	(0.5)	(1.0)
Interest paid on credit facilities	(2.0)	(3.5)	(5.5)
Tax paid	(3.3)	(0.8)	(2.6)
<b>Net cash inflows from operating activities</b>	<b>51.0</b>	<b>26.7</b>	<b>69.0</b>
<b>Investing activities</b>			
Purchase of subsidiary undertakings (net of cash acquired)	(75.9)	(2.9)	(16.7)
Investment in joint ventures	(0.1)	(0.1)	(0.1)
Sale of tangible fixed assets	-	0.6	0.2
Purchase of tangible fixed assets	(15.5)	(6.1)	(17.5)
Interest received	0.7	0.9	2.2
<b>Cash outflows from investing activities</b>	<b>(90.8)</b>	<b>(7.6)</b>	<b>(31.9)</b>
<b>Financing activities</b>			
Net proceeds from issue of loans	67.5	-	-
Repayment of loans	(22.1)	(14.3)	(39.4)
Payment of principal under finance leases	(2.9)	(4.2)	(8.1)
<b>Cash inflows/(outflows) from financing activities</b>	42.5	(18.5)	(47.5)
Net increase/(decrease) in cash and cash equivalents	2.7	0.6	(10.4)
Cash and cash equivalents at beginning of period	74.1	82.3	82.3
Effect of exchange rate fluctuations on cash held	(1.0)	(1.4)	2.2

# Consolidated Statement of Changes in Equity

	Attribute to equity holders of the parent							
	Share capital	Share premium account	Foreign currency translation reserve	Revaluation reserve	Other non distributable reserves	Retained earnings	Minority interests	Total equity
		(note 1)		(note 2)	(note 3)			
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 January 2005</b>	49.3	153.5	(8.3)	-	(22.7)	(77.5)	(0.6)	93.7
Profit attributable to equity holders	-	-	-	-	-	13.0	-	13.0
Currency translation differences	-	-	7.4	-	-	-	(0.1)	7.3
Share based payments	-	-	-	-	-	0.2	-	0.2
<b>Balance at 30 June 2005</b>	49.3	153.5	(0.9)	-	(22.7)	(64.3)	(0.7)	114.2
<b>Balance at 1 January 2006</b>	49.2	153.5	5.0	-	(22.6)	(32.3)	-	152.8
Profit attributes to equity holders	-	-	-	-	-	32.3	-	32.3
Profit attributable to minority interest	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(7.9)	-	-	-	-	(7.9)
Share based payments	-	-	-	-	-	0.7	-	0.7
Acquired in the year	-	-	-	6.4	-	-	-	6.4
Scheme of Arrangement	-	(153.5)	-	-	-	153.5	-	-
<b>Balance at 30 June 2006</b>	<b>49.2</b>	<b>-</b>	<b>(2.9)</b>	<b>6.4</b>	<b>(22.6)</b>	<b>154.2</b>	<b>-</b>	<b>184.3</b>

note 1: Resolution 11 contained within the Notice of Annual General Meeting dated 3 April 2006 proposed a Scheme of Arrangement where the value of the share premium account at that date is cancelled. The effect of this would be to increase by the same amount the distributable reserves for the Group. This resolution was passed at the Annual General Meeting held on 22 May 2006 and the court order granting the cancellation was executed on 28 June 2006. The cancellation was undertaken in the books of Regus Group plc where the share premium is held.

note 2: The revaluation reserve arises on the restatement of the Group's 42% investment in the UK associate from historic cost to fair value following the acquisition of the outstanding 58% interest (based upon provisional fair values).

note 3: Other non distributable reserves at 1 January 2006 includes £29.2m arising from the Scheme of Arrangement undertaken in 2003, partly offset by £6.5m relating to merger reserves and £0.1m to the redemption of preference shares.

## **Notes to the Interim Accounts**

### **Note 1: Basis of preparation and accounting policies**

Regus Group plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 1985, whose shares are publicly traded on the London Stock Exchange.

This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2005.

### **Section 240 statement**

The comparative figures for the financial year ended 31 December 2005 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. These accounts are available from the Company's website – [www.regus.com](http://www.regus.com)

### **Restatement of 30 June 2005 Balance Sheet**

In completing the 2005 year end accounts it was noted that there was £0.4m of IFRS lease adjustments which should have been reflected in the 2005 interim accounts. The impact of this change is to reduce other payables from £26.3m (reported in June 2005) to £25.9m (restated comparable). As a consequence net assets have increased from £113.8m to £114.2m. Additionally, the equity attributable to minority interests as at 30 June 2005 has been corrected from a loss of £1.2m to a loss of £0.7m. These adjustments have no impact on profit for the period.

## Note 2: Segmental analysis

	Americas		EMEA		Asia		UK		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
<b>Mature</b>												
Workstations	45,911	45,748	25,060	25,107	4,276	4,398	-	-	-	-	75,247	75,253
Occupancy (%)	86.4%	79.5%	77.4%	71.6%	81.7%	77.9%	-	-	-	-	83.2%	76.8%
Revenue (£m)	139.8	119.1	87.5	78.7	15.3	13.5	-	-	0.8	1.2	243.4	212.5
Contribution (£m)	39.3	24.2	26.4	19.2	6.0	4.0	-	-	0.8	1.2	72.5	48.6
<b>2005 Expansions</b>												
Workstations	3,837	193	1,720	109	2,198	497	-	-	-	-	7,755	799
Occupancy (%)	81.7%	69.6%	73.1%	6.7%	60.2%	43.0%	-	-	-	-	73.7%	44.5%
Revenue (£m)	8.8	0.4	5.9	0.0	5.5	0.8	-	-	-	-	20.2	1.2
Contribution (£m)	1.6	0.0	1.3	(0.1)	1.3	(0.1)	-	-	-	-	4.2	(0.2)
<b>2006 Expansions</b>												
Workstations	913	-	149	-	1,720	-	10,506	-	-	-	13,288	-
Occupancy (%)	75.9%	-	50.2%	-	50.9%	-	72.3%	-	-	-	69.6%	-
Revenue (£m)	1.4	-	0.4	-	2.7	-	34.3	-	-	-	38.8	-
Contribution (£m)	(0.2)	-	(0.1)	-	(0.2)	-	5.6	-	-	-	5.1	-
<b>Closures</b>												
Workstations	112	538	-	591	-	177	-	-	-	-	112	1,306
Occupancy (%)	92.4%	74.9%	-	42.4%	-	85.9%	-	-	-	-	92.4%	61.7%
Revenue (£m)	0.2	1.1	-	0.6	-	0.6	-	-	-	-	0.2	2.3
Contribution (£m)	(0.1)	0.2	-	(0.1)	-	0.2	-	-	-	-	(0.1)	0.3
<b>Totals</b>												
Workstations	50,773	46,479	26,929	25,807	8,194	5,072	10,506	-	-	-	96,402	77,358
Occupancy (%)	85.9%	79.5%	76.9%	70.6%	69.5%	74.7%	72.3%	-	-	-	80.5%	76.2%
Revenue (£m)	150.2	120.6	93.8	79.3	23.5	14.9	34.3	-	0.8	1.2	302.6	216.0
Contribution (£m)	40.6	24.4	27.6	19.0	7.1	4.1	5.6	-	0.8	1.2	81.7	48.7
<b>Profit from</b>												
operations (£m)	21.0	10.4	14.4	9.5	3.6	2.1	1.8	0.0	(7.8)	(4.0)	33.0	18.0
REVPAAW (£)	5,915	5,189	6,963	6,143	5,730	5,860	6,526	-	-	-	6,279	5,584

### Notes:

- EMEA represents Europe, Middle East and Africa (excluding the UK)
- The mature business is defined as centres owned and operated at 1 January 2005 and therefore have a 6 month comparative
- Expansions include new centres opened and acquired businesses
- A closure is defined as a centre that was closed during the period 1 January 2005 through to 30 June 2006
- Workstation numbers are calculated as the weighted average for the period

**Note 3: Reconciliation of profit from operations to adjusted EBIT and EBITDA**

	<b>Six months ended 30 June 2006 (unaudited) £m</b>	Six months ended 30 June 2005 (unaudited) £m	Year ended 31 Dec 2005 (audited) £m
<b>Profit from operations</b>	33.0	18.0	47.3
Add back: Non-recurring items (impairment, onerous lease charges and integration costs)	-	3.0	4.9
<b>Adjusted EBIT</b>	<b>33.0</b>	<b>21.0</b>	<b>52.2</b>
Depreciation	14.7	15.1	25.6
Amortisation of acquired intangibles	2.0	1.3	3.8
<b>Adjusted EBITDA</b>	<b>49.7</b>	<b>37.4</b>	<b>81.6</b>

**Note 4: Analysis of net financial assets/(debt)**

	At 1 Jan 2006 £m	Cash flow £m	Non-cash changes £m	Exchange movement £m	<b>At 30 June 2006 £m</b>
<b>Cash and cash equivalents</b>	<b>74.1</b>	<b>2.7</b>	<b>-</b>	<b>(1.0)</b>	<b>75.8</b>
Debt due after one year	(5.4)	(69.0)	5.0	0.5	<b>(68.9)</b>
Debt due within one year	(24.5)	21.8	-	0.2	<b>(2.5)</b>
Un-amortised financing fees	-	1.8	(0.1)	-	<b>1.7</b>
Finance leases due after one year	(3.4)	3.2	(1.9)	0.1	<b>(2.0)</b>
Finance leases due within one year	(4.8)	(0.3)	0.5	0.2	<b>(4.4)</b>
	(38.1)	(42.5)	3.5	1.0	<b>(76.1)</b>
<b>Net financial assets/(debt)</b>	<b>36.0</b>	<b>(39.8)</b>	<b>3.5</b>	<b>0.0</b>	<b>(0.3)</b>

Cash not available for use at 30 June 2006 includes cash held on deposit of which £4.0 million (December 2005 : £3.1 million) relates to collateral against bank loans; £10.8 million (December 2005: £14.1 million) relates to deposits which are held by banks and landlords as security against lease commitments by Regus operating companies and £1.9 million (December 2005: £1.9 million) held by the ESOP trust. These amounts are blocked and not available for use by the business.

Non-cash changes include: (1) £5m repayable to the Regus UK operations, previously reported as external debt when the UK business was treated as an associate and (2) amortization of deferred financing fees and (3) movements in finance leases .

## Note 5: Acquisition of subsidiaries

On 19 April 2006, the acquisition date, the Group purchased the remaining 58% equity share in the UK associate from Rex 2002 Limited, a company controlled by funds managed by Alchemy Partners, for a cash consideration of £88.0 million. This entity has been fully consolidated into the Group's results since the acquisition date. Since acquisition, the UK has contributed revenue of £34.3 million and retained profit of £1.2 million.

The acquisition had the following effect on the Group's net assets:

	Provisional fair value £m
<b>Net assets</b>	
Intangible assets	18.5
Property, plant and equipment	37.9
Other non current assets	2.4
Cash and cash equivalents	26.6
Net current liabilities	(43.5)
Non-current liabilities	(26.8)
	<hr/> 15.1
Share of net assets acquired (58% of £15.1m)	8.7
Goodwill	80.7
Total consideration	<hr/> 89.4
<i>Satisfied by:</i>	
Cash	88.0
Directly attributable costs	1.4
	<hr/> 89.4

All consideration was paid in cash. There was no deferred consideration. The above fair values are provisional.

The following table summaries all other acquisitions made during the six month period to June 2006. In certain cases the consideration is deferred or subject to adjustment.

	Consideration excluding debt and cash acquired £m
UK	<hr/> 5.3
Americas	3.8
EMEA	0.4
Asia Pacific	4.7
<b>Total Group</b>	<hr/> <b>14.2</b>

All the acquisitions above are providers of fully serviced business centres.

END