usg people

Press release

Q1 results 2007

Revenue and income rise further; profit objective raised to approx. 7%

Almere, 26 April 2007, 07.00 hrs

Highlights first quarter 2007

- Revenue rose by 14.5% to € 906 million compared to the first quarter of 2006 (€ 791 million). Corrected for working days 16.3%
- Both General Staffing and Specialist services realised double-digit organic revenue growth
- Growth outside Benelux totalled 20.5% (organic 19.3%) with very strong growth recovery in Germany and France
- Gross margin rises by 60 basis points to 24.5% (organic + 80 basis points)
- A light decline in the cost ratio to 19.0% of revenue (2006: 19.2%)
- EBITA rose by 35.1% to € 49.7 million from € 36.8 million in the first quarter of 2006 representing an operating margin of 5.5% compared with an operating margin of 4.7% in the same period of 2006
- Net income totalled € 24.5 million and earnings per share came to € 0.39
- Recurring* net income stood at € 28.9 million. Recurring net earnings per share* for the first quarter totalled € 0.46

“First quarter results were fully in line with our ambitious expectations,” says Ron Icke, CEO of USG People. “It is good to see that all regions contribute to the result and that this is clearly growing in all countries. Autonomous revenue growth continued in all countries during the first quarter, with gross margins developing positively, notably in mature markets. Our rebranding operations are now fully underway and proceed apace. The change of names within General Staffing activities to the international label ‘Start People’ has been successfully carried out in The Netherlands, Spain, Italy, Switzerland and Austria. Belgium started the change of name in the second quarter of this year. The technical professionals have already been brought under the label of USG Innotiv. The name changes were supported by large-scale marketing campaigns which were very positively received in the market. Additional marketing expenses relating to the rebranding operations totalled € 6 million in the first quarter of this year.

* *Recurring net income is € 28.9 million for net one-off rebranding expenses of € 4.4 million*

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The results can be summarised as follows:

Consolidated results (€ millions)	**Q1 2007**	**Q1 2006**	**growth**	**Organic growth**
Revenue	906.2	791.3	14.5%	14.5%
Gross profit	221.7	189.2	17.2%	18.5%
Operating expenses	165.7	145.6	13.8%	14.4%
EBITDA	**56.0**	**43.6**	28.4%	32.6%
Depreciation	6.3	6.8	-7.4%	-7.0%
EBITA	**49.7**	**36.8**	35.1%	40.1%
Amortisation goodwill	6.3	3.9	61.5%	59.9%
EBIT	**43.4**	**32.9**	31.9%	37.7%
Interest	-7.6	-6.4	18.8%	18.5%
Income tax	-11.2	-8.5	31.8%	38.7%
Minority interest	-0.1	-0.2		
Net income	**24.5**	**17.9**	36.9%	41.2%
Gross margin	24.5%	23.9%		
Cost ratio	19.0%	19.2%		
Operating margin	5.5%	4.7%		
Earnings per share	0.39	0.28		

* For the organic growth figures for the comparative figures for 2006 the results for subsidiaries acquired or disposed of during a period have been incorporated or eliminated

** Operating margin is EBITA as a percentage of revenue

*** Earnings per share based on the number of issued shares

Notes to the first quarter results for 2007

Revenue

In the first quarter our group revenue grew by 14.5% on last year while there was one fewer working day in the first three months of this year than in 2006. If calculated on the basis of an equal number of working days this growth would be 16.3%. To a small extent acquisitions contributed to growth, whereas revenue was reduced due to the sale of subsidiaries. Revenue from the subsidiaries acquired and sold were mutually compensating so that consolidated organic growth also came to 14.5%.

Strong revenue growth continued in all regions where our group is active. The strongest growth was realised outside the Benelux region, France and Germany in particular realised exceptionally good revenue results. In the Netherlands our group realised 14.1% organic revenue growth – which means that we outperformed the market. With an increased revenue volume of 13.2% Dutch market growth was less spectacular than last year. Revenue volume for our activities in Belgium and Luxemburg increased by 8.4% which lagged somewhat on expected market growth due to a policy focus shift from growth towards greater balance between growth and profitability. France and Germany showed strong growth at 19.2% and 35.9%. In the other growth countries, Switzerland, Austria, Poland, the Czech Republic and Slovakia, joint revenue showed 32.6% organic growth.

Gross margin
The rising trend in the gross margin during the last quarter of 2006 showed clear continuation during the first quarter, by 60 basis points on last year. Working with organic figures the difference was actually 80 basis points. The gross margin in the first quarter came to 24.5% compared with 23.9% in the previous year. Upward margins were most noticeable in more mature markets.

Operating expenses
Operating expenses were € 20 million up on the first quarter of last year. This increase is due to volume growth during the year as well as extra incidental expenses incurred for marketing and promotion campaigns. During the first quarter there were two large-scale marketing and promotion campaigns in the Netherlands for the rebranding of the Start Group and the combined Innotiv companies. These marketing expenses totalled € 6 million. Despite these once-only higher marketing expenses the level of expenses as a percentage of revenue was lower than in the first quarter of last year. The cost ratio came to 19.0% compared with last year's 19.2%. Not including these incidental marketing and promotional expenses cost rose by 9.2% on last year and the cost ratio stood at 18.4%.

EBITA
The volume growth related to the higher gross margin, and relative decline in expenses resulted in an EBITA of € 49.7 million for the first three months of this year compared with € 36.8 million in the previous year (+ 35.1%). As a percentage of revenue an EBITA margin of 5.5% can be calculated compared with 4.7% in the first three months of 2006. Not counting incidental expenses this gives a recurring EBITA of € 55.7 million. Hence, the recurring operating margin stands at 6.1%. All regions realised a positive EBITA result and all regions improved profitability compared with the first three months of last year.

Amortisation
First quarter amortisation totalled € 6.3 million. This concerns an amount of € 3.9 million for regular amortisation of client relationships and brand rights in addition to a one-off € 2.5 million amortisation due to IFRS regulations in regard to non-valued losses in the past.

Financial expenses
Financial expenses were € 1.2 million higher than last year when a market value increase of interest rate derivatives impacted positively on the interest expenses recognised in the first quarter. Not counting this effect of € 2 million in 2006 interest expenses declined by € 0.8 million. This decline is due to a lower debt position in 2007 against which a slightly higher interest rate had to be paid due to the increased market interest.

Tax
The tax rate stood at 31.3% which is slightly above the average nominal rate of 30.7%. Hence, the negative impact of non-deductible expenses on the tax rate was slightly higher than the benefit from the released revenue of tax-exempted proceeds of the Belgian coordination centre. The cash out tax rate stood at 24.4%.

Net income
Net income stood at € 24.5 million, which means € 6.6 million more than in the same quarter of 2006 (€ 17.9 million). Earnings per share in the first quarter stood at € 0.39 (thirty-nine euro cents). On the basis of a recurring net income (not including one-off expenses of rebranding of € 4.4 million) of € 28.9 million earnings per share stood at € 0.46. No shares were issued in the first quarter, with the exception of the exercise of a limited number of personnel options, and no bonds were offered for conversion from the outstanding convertible bond. Hence, there was no dilution of earnings per share.

Balance sheet and cash flow
Total assets were virtually unchanged in the first quarter and closed at € 1.9 billion. The biggest changes were in equity and the net debt position. Equity exceeded the net debt position in the first quarter for the first time since the acquisition of Solvus in September 2005. The increase of € 25.7 million was mainly due to a positive net result. In contrast, the net debt position reduced by € 28.8 million. No shares were issued and no new loans were concluded in the first quarter. Equity at 31 March totalled € 601 million and the net interest bearing debt position amounted to € 582 million (including convertible bond). For capital adequacy this meant an improvement from 30.3% at the end of 2006 to 31.7% at 31 March 2007.

The positive cash flow in the first quarter of 2007 was mainly due to a positive result with working capital virtually unchanged. Compared with last year there was strong improvement in the operating cash flow due to a very limited rise in working capital compared with last year. Capital expenditure was higher than in the first three months of 2006 due to a very moderate investment policy in the first quarter of the previous year.

Results per segment

a. General Staffing

Results (in m euro)	**Q1 2007**	**Q1 2006**	**Growth**	**Organic growth**
Revenue	535.5	462.7	15.7%	15.1%
EBITA	17.7	10.2	73.5%	72.2%

In the General Staffing segment growth totalled 15.7% of which 15.1% from autonomous activities. The contribution from acquisitions in the Czech Republic and Slovakia only had a limited effect on volume growth. During the first quarter the General Staffing activities in the Netherlands, Switzerland and Austria were successfully relabelled to the international General Staffing label 'Start People'. The new name is working well in the wake of major postering campaigns, and radio and TV advertising in the Netherlands in the past several months. Introduction of the Start People label has now been realised in 5 countries. Belgium will start in the second quarter.

In the Netherlands growth at Start People stood at 15.7% whereby in-house volume increased by 70% on last year. Belgian growth was lower due to discontinuation of a number of low-yielding volume contracts, a policy aimed at improving profitability which had started up during the previous quarter. Hence, lower volume growth was due to the activities in the fourth quarter of the previous year.

In France last year's acceleration in revenue growth was continued during the first quarter with 18.6% growth. The Spanish Start People realised 15.3% revenue growth with strongly improved profitability due to a higher gross margin and lower expenses resulting from the integration of the two labels Start and Creyf's into Start People.

Italy saw a temporary dip in growth compared with the exceptionally strong growth of 2006. This was due to the large-scale operation started up in the first quarter of 2007 to integrate and re-structure the infrastructure (branches of the former Start and Creyf's). The integration led to a strong improvement in profitability and lower expenses.

Germany and other countries grew organically by successively 45.7% and 32.6%. The first quarter of last year did see an EBITA loss of € 1.4 million in Germany; this was converted into a small profit in the first three months of 2007.

b. Specialist Staffing*

Results (in m euro)	Q1 2007	Q1 2006	Growth	Organic growth
Revenue	270.5	240.7	12.4%	12.4%
EBITA	30.8	23.4	31.6%	31.6%

Specialist Staffing labels, including Content and Unique, posted 12.4% growth in the first quarter, whereby around 70% of revenue volume is currently realised in the Netherlands. ABU, the Dutch temporary employment industry body, reports first quarter market growth of 13.2% with major differences between the administrative and industrial segments. The administrative market only grew by 7.8% while the industrial segment showed 17.8% market growth. Our Specialist Staffing labels generate a significant part of their volume in the administrative segment and are also strongly represented in small and medium enterprises. Hence, the 13.6% growth realised by our Specialist labels in the Netherlands represent a strong result compared with the market. Meanwhile, gross margins developed positively.

In Belgium where we generate more than 20% of Specialist Staffing revenue we posted 6.1% growth in the first quarter. As with General Staffing pricing policy has also been tightened up at Specialities so that the focus is more on increasing profitability.

c. Professionals*

Results (in m euro)	Q1 2007	Q1 2006	Growth	Organic growth
Revenue	92.5	76.6	20.8%	15.5%
EBITA	7.1	8.5	-16.5%	-17.7%

The strongest growth was in the Professionals segment; this was partly due to the addition of the Utrechtse Juristen Groep as from June 2006. Organic growth at 15.5% was in line with the General Staffing segment. There were also major rebranding operations at Professionals. The largest of these was at the technical professionals USG Innotiv which is USG People's umbrella label for high-grade technical personnel (ICT specialists and engineers); the activities of Innotiv, Beaver, United Technical Solutions and United ICT Solutions were combined under the label. The EBITA contribution from Professionals declined due to one-off rebranding expenses and due to a lower result at USG Restart Netherlands caused by the difficult reintegration market in which USG Restart is active.

d. Other Services*

Results (in m euro)	Q1 2007	Q1 2006	Growth	Organic growth
Revenue	7.6	11.3	-32.7%	43.0%
EBITA	0.6	1.9	-68.4%	-10.6%

Following the sale of the Luzac Educational/Training activities last year the first quarter saw the callcenter activities of Telecom Direct made independent via a management buy-out. Following this sale only the Call-IT companies in the Netherlands and Belgium are represented in the Other segment. As from 2007 HR Services (USG Restart, Accea and Carela) will be categorised under Professionals. The first quarter revenue contribution stood at € 7.6 million and organic growth in the first quarter stood at 43%.

* Compared with previous presentations the segments have been adjusted, whereby 2006 figures have been made comparable.

Prospects 2007

Continuing growth in the first quarter confirms our earlier expectations of revenue growth in the first quarter for all regions where we are service providers. During the rest of the year we also expect the same continuing autonomous revenue growth – with growth countries expected to perform more strongly than home markets. The gross margin in the home markets could improve slightly as the economic cycle develops further and the focus shifts to balanced growth in terms of volume and profitability. In view of positive revenue and result development in the first quarter and expectations for the rest of the year we are upgrading our objective for the operating margin for 2007 of at least 6.5% to approx. 7%.

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Financial calendar

30 April 2007	Listing ex-dividend
18 May 2007	Dividend payable
27 July 2007	Publication second quarter results 2007 (before start of trading) Analysts' meeting and press conference second quarter results
29 October 2007	Publication third quarter results 2007 (before start of trading) Analysts' meeting and press conference third quarter results
7 March 2008	Publication fourth quarter and annual results 2007 (before start of trading) Analysts' meeting and press conference fourth quarter and annual results
29 April 2008	Publication first quarter results 2008 (before start of trading) Conference call analysts first quarter results General Meeting of Shareholders

The predictions and expectations given in this press release are provided without any form of guarantee as to their future realisation. This press release comprises or refers to statements related to the future as regards the intentions, opinions or current expectations of USG People and its board/management or other management in regard to USG People and its operations. In general such terms as "may", "shall", "expect", "intention", "estimate", "foresee", "believe", "intend to", "attempt", "continue" refer to statements regarding the future. Such future-related statements do not guarantee future performances. They are based on current views and assumptions and are subject to known and unknown risks, uncertainties and other factors which are largely outside the sphere of influence of USG People, whereby the actual results or developments may in fact diverge from future results or developments as set out implicitly or explicitly in the statements regarding the future. USG People does not accept any obligation whatsoever in regard to the updating or alteration of the statements regarding the future on the basis of new information, future events or for whatsoever reason, except where so required as per legislation and regulation or a duly authorised body.

Profile USG People

USG People provides all forms of flexible staffing/employment and a service offering covering human resources and customer care. The group, with headquarters in Almere in the Netherlands is active in a substantial number of European countries – the Netherlands, Belgium, Luxembourg, Germany, Austria, Switzerland, the Czech Republic, Slovakia, Poland, France, Italy, Spain and Portugal.

The brand portfolio of USG People comprises Start People, Creyf's, Proflex (General Staffing), Unique, Content, Technicum, Secretary Plus, StarJob, Express Medical, Ad Rem Young Professionals, SYS, Financial Forces (Specialist Staffing), USG Innotiv, USG Energy, USG Capacity, HR Forces, Legal Forces, Utrechtse Juristen Groep, Accea, Carela, USG Restart (Professionals), and Call-IT (Customer Care Services).

The shares of USG People are listed on the Euronext Amsterdam N.V. stock exchange (ticker: USG) and are included in the Midkap-index (AMX).

For more information on USG People or one of its operating companies visit our website: www.usgpeople.com.

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Appendix 1: information by segment (unaudited)

Consolidated (€ million)	YTD March 2007	YTD March 2006	Change	Organic change
Revenue				
General Staffing	535.5	462.7	15.7%	15.1%
Specialist Staffing	270.5	240.7	12.4%	12.4%
Professionals	92.5	76.6	20.8%	15.5%
Other	7.6	11.3	-32.7%	43.0%
Total group	906.2	791.3	14.5%	14.5%
EBITA				
General Staffing	17.7	10.2	73.5%	72.2%
Specialist Staffing	30.8	23.4	31.6%	31.6%
Professionals	7.1	8.5	-16.5%	-17.7%
Other	0.6	1.9	-68.4%	-10.6%
Corporate	-6.5	-7.2	9.7%	9.7%
Total group	49.7	36.8	35.1%	39.0%

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Appendix 2: information by geography (unaudited)

Consolidated (€ million)	**YTD March 2007**	**YTD March 2006**	**Change**	**Organic change**
Revenue				
The Netherlands	415.1	366.3	13.3%	14.1%
General Staffing	162.4	140.4	15.7%	15.7%
Specialist Staffing	184.9	162.7	13.6%	13.6%
Professionals	65.6	55.2	18.8%	11.9%
Other	2.1	8.0	-73.8%	4.9%
Belgium / Luxembourg	189.2	174.6	8.4%	8.4%
General Staffing	99.8	95.6	4.4%	4.4%
Specialist Staffing	62.9	59.3	6.1%	6.1%
Professionals	21.0	16.4	28.0%	28.0%
Other	5.5	3.3	66.7%	66.7%
France	120.7	101.3	19.2%	19.2%
General Staffing	120.0	101.2	18.6%	18.6%
Specialist Staffing	0.6	0.0	-	-
Professionals	0.1	0.1	-	-
Spain / Portugal	93.7	80.4	16.5%	16.5%
General Staffing	72.2	62.6	15.3%	15.3%
Specialist Staffing	15.9	13.0	22.3%	22.3%
Professionals	5.6	4.9	14.3%	14.3%
Germany	26.5	19.5	35.9%	35.9%
General Staffing	20.1	13.8	45.7%	45.7%
Specialist Staffing	6.4	5.8	10.3%	10.3%
Italy	34.0	31.4	8.3%	8.3%
Other countries	27.0	17.7	52.5%	32.6%
Total group	906.2	791.3	14.5%	14.5%
EBITA				
The Netherlands	37.9	32.6	16.3%	20.4%
Belgium / Luxembourg	12.4	10.2	21.6%	21.6%
France	1.1	0.5	120.0%	120.0%
Spain / Portugal	2.5	0.8	212.5%	212.5%
Germany	0.2	-1.4	114.3%	114.3%
Italy	1.6	1.1	45.5%	45.5%
Other countries	0.4	0.1	300.0%	276.4%
Corporate	-6.5	-7.2	9.7%	9.7%
Total group	49.7	36.8	35.1%	39.0%

Appendix 3: income statement (unaudited)

(€ thousand)	**2007 Q1**	**2006 Q1**
Revenue	906,202	791,343
Cost of sales	684,479	602,161
Gross profit	221,723	189,182
Gross margin	**24.5%**	**23.9%**
Selling expenses	152,477	134,226
General and administrative expenses	26,334	21,734
Other income and expenses	500	-282
Operating profit	43,412	32,940
Financial expenses	7,636	6,386
Income before taxes	35,776	26,554
Income tax expenses	-11,182	-8,476
Net income	24,594	18,078
Attributable to the shareholders of the company	24,465	17,871
Attributable to minority interest	129	207

Appendix 4: Consolidated Balance sheet (unaudited)

(€ thousand)	**March 31 2007**	**March 31 2006**
Non-current assets		
Goodwill	796,971	801,168
Other intangible assets	122,440	123,285
Property, plant and equipment	55,120	55,777
Financial fixed assets	6,790	6,811
Deferred income tax assets	63,196	68,877
Other non-current assets	10,564	10,564
	1,055,081	**1,066,482**
Current assets		
Trade and other receivables	760,731	769,879
Income tax	24,692	23,567
Derivative financial instruments	532	238
Cash and cash equivalents	55,580	39,616
	841,535	**833,300**
Total assets	**1,896,616**	**1,899,782**
Equity		
Equity	599,897	574,420
Minority interest	1,258	1,129
Total equity	**601,155**	**575,549**
Non-current liabilities		
Borrowings	323,770	337,415
Retirement benefit obligations	1,516	1,122
Other provisions	4,363	9,715
Deferred income tax liabilities	45,212	46,270
	374,861	**394,522**
Current liabilities		
Borrowings	314,161	313,324
Trade and other payables	559,422	570,090
Income tax liabilities	28,782	29,540
Derivative financial instruments	75	266
Provisions	18,160	16,491
	920,600	**929,711**
Total liabilities	**1,295,461**	**1,324,233**
Total equity and liabilities	**1,896,616**	**1,899,782**

Appendix 5: consolidated statement of changes in shareholders equity (unaudited)

	Share capital	Other reserves	Retained earnings	Minority interest	Total equity
Balance at 31 December 2006	320,580	16,973	236,867	1,129	575,549
Net income Q1 2007			24,465	129	24,594
Exchange rate differences		-69			-69
Total result Q1 2007		-69	24,465	129	24,525
Share plan		879			879
Exercised option rights	202				202
	202	879			1,081
Balance at 31 March 2007	320,782	17,783	261,332	1,258	601,155

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Appendix 6: cash flow statement (unaudited)

(€ thousand)	2007 Q1	2006 Q1
Income before taxes	35,776	26,554
Adjustments for:		
Depreciation and amortisation of tangible and intangible assets	12,645	10,662
Profit from sale of group companies	-247	
Profit from derivatives	-486	-2,254
Interest expense	8,122	8,640
Share plan	879	
Exchange rate differences	-48	
Changes in provisions	-3,289	-2,418
Changes in working capital:		
- trade and other receivables	5,549	-3,662
- trade and other payables	-8,894	-47,733
Cash flow from operating activities	50,007	-10,211
Income tax paid	-8,728	386
Net cash flow from operating activities	41,279	-9,825
Acquisition of subsidiaries	-466	-972
Purchases of tangible assets	-3,674	-1,005
Purchases of intangible assets	-4,853	
Disposal of tangible assets	-702	918
Disposal of intangible assets	105	
Proceeds from sale of group companies	3,300	
Loans granted	21	403
Cash flow from investment activities	-6,269	-656
Proceeds from issuance of shares	202	219
Repayment of borrowings	-13,645	-19,664
Interest paid	-6,265	-10,764
Change in borrowings	662	-163,007
Net cash flow from financing activities	-19,046	-193,216
Change in cash and cash equivalents	15,964	-203,697
Change in cash and cash equivalents		
Cash and cash equivalents at 1 January	39,616	300,807
Decrease / increase in cash and cash equivalents	15,964	-203,697
Cash and cash equivalents at 31 March	55,580	97,110

Appendix 7: key figures (unaudited)

	2007 Q1	2006 Q1
Percentage growth		
Revenue	14.5%	156.2%
Operating profit	31.8%	284.0%
Net income	36.9%	291.5%
Ratios		
Operating profit / revenue	4.8%	4.2%
Net income / revenue	2.7%	2.3%
Interest Cover Ratio on ebitda basis	7.3	6.8
Equity / total equity and liabilities	31.6%	26.5%
Current assets / current liabilities	0.91	0.87
Information on shares (x 1,000)		
Number of shares outstanding at 31 March	63,151	62,996
Average number of shares	63,147	62,982
Number of shares diluted (including options)	63,261	63,286
Number of shares fully diluted (including options and convertible bond)	69,680	69,705
Per share based on the number of shares outstanding		
Net income	0.39	0.28
Equity	9.50	7.79
Per share based on the average number of shares		
Net income	0.39	0.28
Equity	9.50	7.79
Per share based on the number of shares diluted (including options)		
Net income	0.39	0.28
Per share based on the number of shares Fully diluted (including options and convertible bond)		
Net income	0.36	0.27