usg people press release

Profit improves considerably; EBITA up 30%

First-quarter 2012 results

Almere, 27 April 2012

First-quarter 2012 highlights[1]

- Revenue totalled € 705.1 million (Q1 2011: € 775.8 million); revenue was 9% lower compared to the year-earlier period
- The month of March showed a cautious recovery in revenue per working day, up 3.5% from February
- The gross margin rose to 21.6% (Q1 2011: 21.3%)
- Operating expenses were 11% lower than a year earlier and down € 8.5 million compared to the previous quarter
- EBITA was up 30% to € 19.1 million; EBITA margin: 2.7% (Q1 2011: € 14.7 million; EBITA margin: 1.9%)
- Profitability in the Netherlands doubled as the EBITA margin rose from 2.6% to 5.2%
- Net income amounted to € 6.3 million; earnings per share: € 0.08

"The improvements we implemented in our organisation in 2011 result in a considerable rise in profit," said Rob Zandbergen, CEO of USG People. "EBITA rose by 30% compared to a year ago despite a slowdown in markets. Pricing remained stable and the level of expenses continued to improve, resulting in a higher rate of conversion. The improvements stem from our focus on an effective execution of our services, which will be specifically geared to the sales process in the coming quarters. As part of our strategic plan of expanding our high-value Professionals activities we recently announced the acquisition of Control Finance in the Netherlands. Control Finance provides a stable and sound platform for us to further shape and expand our activities in the financial talent segment of the market. Furthermore Secretary Plus and Professionals have commenced the proposed rollout and organic growth."

Key figures

Underlying results (in € millions)	**3 months to 31 March 2012**	**3 months to 31 March 2011**	Δ
Revenue[1]	705.1	775.8	-9%
Gross result	152.6	165.4	-8%
Operating expenses	128.1	144.4	-11%
EBITDA	24.5	21.0	16%
EBITA	19.1	14.7	30%
Net income	5.7	-0.7	
Gross margin	21.6%	21.3%	
Expense ratio	18.2%	18.6%	
EBITA margin	2.7%	1.9%	

[1] In 2012 the recognition of revenue changed with regard to the placement of self-employed people with no staff (brokerage). This revenue is now recognised on a net basis in accordance with IAS 18. The change relates solely to revenue (impact on Q1 2012 revenue: -€ 4.4 million). For the sake of an accurate comparison the comparable revenue figure for 2011 has been adjusted downward by € 5.6 million compared to reported revenue.

Notes on the first-quarter 2012 results

Revenue
USG People achieved revenue of € 705.1 million in the first quarter, down 9% from € 775.8 million in the first quarter of 2011. Revenue fell 10% based on the same number of working days. Demand was mainly lower in the industrial sector. The month of March showed a slight improvement across the board: in March revenue per working day was 10% lower year-on-year (February: -12%), while revenue per working day was up 3.5% from February.

Gross margin
The gross result totalled € 152.6 million in the first quarter and was 8% lower than in the same period last year (gross result Q1 2011: € 165.4 million). As a percentage of revenue the gross margin rose to 21.6% (Q1 2011: 21.3%). Stable pricing and an extra working day in February contributed to the gross margin improvement. Revenue from recruitment and selection accounted for 1.2% of group revenue (Q1: 1.1%).

Operating expenses excluding depreciation and amortisation of acquisition-related intangible assets
Operating expenses fell 11% to € 128.1 million from € 144.4 million in the first quarter last year. Expenses were reduced as a result of efficiency improvements and effective cost control. Staffing expenses and business accommodation costs declined due to a reduction in staffing numbers and branch consolidation. Efficiency improvements resulted in a structural improvement of expense levels, also going forward.

On balance the number of FTEs declined by 370 in the first quarter, a 6% drop compared to the end of 2011 (from 6,692 to 6,322). Restructuring led to a reduction of 410 FTEs while Secretary Plus and Professionals added 40 FTEs in line with the strategic plan aimed at expanding and rolling out the activities.

EBITA
EBITA was up 30% in the first quarter compared to the year-earlier period to € 19.1 million (Q1 2011: € 14.7 million). The EBITA margin rose from 1.9% to 2.7%. Profitability improved sharply particularly in the Netherlands where the EBITA margin doubled from 2.6% to 5.2%.

Amortisation of acquisition-related intangible assets
Amortisation amounted to € 4.3 million in the first quarter, declining further compared to the same period last year (Q1 2011: € 4.9 million). Amortisation concerns brand rights, client portfolios and candidate databases valued at the time of acquisition.

Financing expenses
Underlying financing expenses totalled € 4.8 million in the first quarter compared to € 7.2 million in the same period last year. An unrealised value adjustment to interest-rate derivatives was also recognised, equalling a positive € 0.8 million (Q1 2011: positive € 6.4 million). The first quarter of 2011 also included a gain of € 3.4 million for a revaluation of participating interests. On balance, reported financing expenses amounted to € 3.9 million compared to proceeds of € 2.6 million the same period last year.

Taxation
Taxes amounted to € 4.5 million in the first quarter compared to € 4.9 million a year earlier. The tax rate on profit before amortisation and excluding the value-added tax classified as income tax in France and Italy (€ 1.7 million) was 30.6%.

Net income attributable to company shareholders

(in € millions)	3 months to 31 March 2012	3 months to 31 March 2011
Underlying net income	**5.7**	**-0.7**
Unrealised value adjustments to derivatives	0.8	6.4
Revaluation of participating interests		3.4
Non-recurring tax effects	-0.2	-1.6
Reported net income	6.3	7.5
Earnings per share	€ 0.08	€ 0.10

Underlying net income totalled € 5.7 million compared to -€ 0.7 million in the first quarter last year. Reported net income rose in the first quarter of 2011 due to non-recurring unrealised value adjustments to interest rate derivatives and a revaluation of participating interests. Reported net income amounted to € 6.3 million in the first quarter of 2012 against € 7.5 million a year earlier.

Balance sheet and cash flow

Factoring of trade receivables was down € 24.3 million compared to the fourth quarter, to € 104.1 million from € 128.4 million at the end of 2011. This was the main cause of the € 19.4 million rise in working capital (Q1 2011: down € 0.7 million) and the operating cash flow which totalled -€ 9.6 million despite the favourable operating result (Q1 2011: € 8.9 million).

Net bank debt totalled € 91.6 million (Q4 € 62.3 million) and the Senior Leverage Ratio was 0.8. Net debt, including subordinated loans, stood at € 221.9 million from € 203.8 million in the fourth quarter of 2011. The Leverage Ratio (net debt / 12-month underlying EBITDA), including subordinated loans, remained stable at 1.7 and was within the strategic target set by USG People (maximum 2.0).

First-quarter 2012 results by segment

General Staffing

General Staffing achieved revenue of € 401.7 million in the first quarter, down 10% from € 447.4 million in the first quarter of 2011. In the quarter revenue declined in every country compared to the previous quarter, mainly due to weak demand in the industrial sector. The year-on-year decline in revenue, which was most pronounced in February, improved in March. Revenue per working day was down 11% year-on-year in March (February: -14%).

The gross margin remained stable and expenses declined by € 8 million compared to the first quarter last year. Expenses declined the most in the Netherlands. EBITA rose to € 9.3 million from € 8.1 million in the first quarter last year. The EBITA margin improved to 2.3% (Q1 2011: 1.8%).

Specialist Staffing

Revenue at Specialist Staffing fell 10% to € 246.8 million from € 274.3 million in the first quarter of 2011. In March the year-on-year decline in revenue also improved at Specialist Staffing. Revenue per working day was down 11% in March year-on-year (February: -12%).

The gross margin was slightly higher due to the effect of an extra working day compared to the first quarter of 2011. The gross margin was stable when adjusted for the difference in working days. Expenses were € 8 million lower than in the first quarter last year. Expenses declined the most at Unique and at the local Dutch labels. EBITA increased to € 10.5 million from € 9.0 million in the first quarter last year. The EBITA margin rose to 4.3% (Q1 2011: 3.3%).

Professionals
Revenue at Professionals increased by 4% to € 56.6 million in the first quarter from € 54.1 million in the same period last year. The fields of energy, engineering, finance and legal achieved robust growth while revenue from IT and marketing & communication weakened. Expenses and the gross margin at Professionals were virtually unchanged in the first quarter. EBITA rose to € 4.8 million from € 3.6 million in the first quarter last year. The EBITA margin increased to 8.5% from 6.7% in the first quarter of 2011.

Outlook
Our profitability has improved considerably thanks to our focus on an effective execution of our operations. The gross margin has stabilised and the level of expenses is structurally lower, resulting in improved profitability. In 2012 we will further implement our strategic plans. With our robust balance sheet and effective organisation we will continue to focus on the effectiveness and development of our services and on building our positions in the markets we have selected. In the medium term we aim to achieve an average EBITA margin of 6.0% throughout the cycle. In view of the current market uncertainty we are refraining from issuing guidance on the development of profit in 2012.

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Additional information
Pages 7 and 8 of this press release contain additional information with respect to the breakdown used in USG People‘s 2011 financial statements. This additional information serves to further clarify the quarterly figures for users of this press release.

Dividend dates

14 May 2012	Shares quoted ex-dividend
16 May 2012	Dividend record date
17 May 2012	Start of option period
31 May 2012	End of option period
6 June 2012	Dividend payment date and delivery of shares

Financial calendar

10 May 2012	General Meeting of Shareholders
27 July 2012	Publication of second-quarter results
26 October 2012	Publication of third-quarter results
1 March 2013	Publication of fourth-quarter and full-year results

Presentation to analysts and press
Today USG People will present its results to analysts and the press via an online event. The webcast will consist of an online presentation and a conference call.

The presentation for analysts commences at 9.30 CET. Analysts can participate via the link:
https://www.livemeeting.com/cc/kpnpro/join?id=2KM5C2&role=attend&pw=N12EwdsY
The number to call to participate in the conference call is +31 (0)10 2944 215.

The presentation for the press starts at 11.00 CET. The press can participate via the link:
https://www.livemeeting.com/cc/kpnpro/join?id=JB7ZH3&role=attend&pw=ABt2345b
The number to call to participate in the conference call is +31 (0)10 2944 227.

A replay of the presentation and the Q&A session will be available on our website from 18.00 CET today via the link: http://investor.usgpeople.com/phoenix.zhtml?c=139415&p=irol-presentations

Disclaimer
The predictions and forecasts made in this press release are provided without any form of guarantee as to their future realisation. This press release comprises or refers to forward-looking statements regarding the intentions, opinions or current expectations of USG People and its board or other management with respect to USG People and its business operations. In general, terms and concepts such as "may", "shall", "expect", "intend", "estimate", "foresee", "believe", "plan", "attempt", "continue" and similar refer to forward-looking statements. Forward-looking statements of this nature are no guarantee of future performance. They are based on current views and assumptions, and are subject to known and unknown risks, uncertainties and other factors which are largely outside USG People's control, as a result of which actual results or developments can be materially different from the future results or developments as set out implicitly or explicitly in these forward-looking statements. USG People assumes no liability whatsoever with respect to the updating or amending of forward-looking statements based on new information or future events or for any other reason whatsoever, other than insofar it is required to do so under relevant legislation and regulations or on the authority of a competent regulatory body.

This press release is available in both Dutch and English. In the event of ambiguities, the Dutch text shall prevail.

About USG People
With revenue of € 3.2 billion in 2011 USG People is one of the largest providers of HR services in Europe with established and recognisable national and international brands. Headquartered in the Dutch city of Almere, USG People is active in Belgium, Germany, France, Italy, Luxembourg, the Netherlands, Austria, Poland, Spain and Switzerland.

The brand portfolio of USG People comprises Start People (General Staffing) – Unique, Technicum, Secretary Plus, ASA, Creyf's, Call IT, Vakcollege Groep (Specialist Staffing) – Legal Forces, USG Capacity, USG Energy, USG Financial Forces, USG HR Forces, USG Innotiv, USG Juristen, ikki (Professional Solutions).

USG People is listed on the NYSE Euronext Amsterdam stock exchange and is included in the Amsterdam Midcap Index (AMX).

For more information on USG People or any of its operating companies, please visit our website at www.usgpeople.com.

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Additional information by activity

(unaudited)

3 months ended 31 March

Revenue[1] (in € millions)	2012	2011	Change	Organic change
General Staffing	**401.7**	**447.4**	**-10%**	**-10%**
Netherlands	135.2	148.0	-9%	-9%
Belgium & Luxembourg	85.3	98.2	-13%	-13%
France	111.6	124.4	-10%	-10%
Spain	43.6	44.7	-2%	-2%
Other	26.0	32.1	-19%	-19%
Specialist Staffing	**246.8**	**274.3**	**-10%**	**-10%**
Netherlands	99.3	111.2	-11%	-11%
Belgium & Luxembourg	52.7	55.5	-5%	-5%
Germany	62.7	72.1	-13%	-13%
Italy	28.9	33.2	-13%	-13%
Other	3.2	2.3	39%	39%
Professionals	**56.6**	**54.1**	**4%**	**4%**
Netherlands	38.0	36.1	5%	5%
Belgium & Luxembourg	16.7	15.9	5%	5%
France	1.9	2.1	-10%	-10%
Group	**705.1**	**775.8**	**-9%**	**-9%**

Underlying EBITA (in € millions)	2012	2011	Change	Organic change	2012 EBITA margin	2011 EBITA margin
General Staffing	9.3	8.1	15%	15%	2.3%	1.8%
Specialist Staffing	10.5	9.0	17%	17%	4.3%	3.3%
Professionals	4.8	3.6	33%	33%	8.5%	6.7%
Corporate	-5.5	-6.0	8%	8%		
Group	**19.1**	**14.7**	**30%**	**30%**	**2.7%**	**1.9%**

[1] In 2012 the recognition of revenue changed with regard to the placement of self-employed people with no staff (brokerage). This revenue is now recognised on a net basis in accordance with IAS 18. The change relates solely to revenue (impact on Q1 2012 revenue: Professionals Netherlands: -€ 3.8 million, Professionals Belgium: -€ 0.6 million) For the sake of an accurate comparison the comparable revenue figure for 2011 has been adjusted downward by € 5.6 million compared to reported revenue (Professionals Netherlands: -€ 5.1 million, Professionals Belgium: -€ 0.5 million).

Additional information by country
(unaudited)

3 months ended 31 March

Revenue[1] (in € millions)	2012	2011	Change	Organic change
Netherlands	272.5	295.3	-8%	-8%
Belgium & Luxembourg	154.7	169.6	-9%	-9%
France	114.2	127.2	-10%	-10%
Germany	62.7	72.1	-13%	-13%
Spain	44.0	45.1	-2%	-2%
Italy	28.9	33.2	-13%	-13%
Other	28.1	33.3	-16%	-16%
Group	**705.1**	**775.8**	**-9%**	**-9%**

Underlying EBITA (in € millions)	2012	2011	Change	Organic change	2012 EBITA margin	2011 EBITA margin
Netherlands	14.1	7.7	83%	83%	5.2%	2.6%
Belgium & Luxembourg	7.9	8.3	-5%	-5%	5.1%	4.9%
France	0.8	2.1	-62%	-62%	0.7%	1.7%
Germany	1.2	2.3	-48%	-48%	1.9%	3.2%
Spain	0.0	-0.9	100%	100%	0.0%	-2.0%
Italy	0.7	0.5	40%	40%	2.4%	1.5%
Other	-0.1	0.7	-114%	-114%	-0.4%	2.1%
Corporate	-5.5	-6.0	8%	8%		
Group	**19.1**	**14.7**	**30%**	**30%**	**2.7%**	**1.9%**

[1] In 2012 the recognition of revenue changed with regard to the placement of self-employed people with no staff (brokerage). This revenue is now recognised on a net basis in accordance with IAS 18. The change relates solely to revenue (impact on Q1 2012 revenue: Professionals Netherlands: -€ 3.8 million, Professionals Belgium: -€ 0.6 million) For the sake of an accurate comparison the comparable revenue figure for 2011 has been adjusted downward by € 5.6 million compared to reported revenue (Professionals Netherlands: -€ 5.1 million, Professionals Belgium: -€ 0.5 million).

Consolidated income statement
(Unaudited)

Amounts in € millions	3 months ended 31 March	
	2012	**2011**
Net revenue	705,135	781,399
Cost of sales	-552,522	-615,981
Gross profit	**152,613**	**165,418**
Selling expenses	-105,553	-121,690
Amortisation of acquisition-related intangible assets	-4,299	-4,915
Total selling expenses	-109,852	-126,605
General and administrative expenses	-28,010	-29,090
Other income and expenses	12	63
Total operating expenses	-137,850	-155,632
Operating income	**14,763**	**9,786**
Financial expenses	-5,027	-7,193
Financial income	1,098	9,842
Income before taxes	**10,834**	**12,435**
Income tax expenses	-4,501	-4,926
Net income	**6,333**	**7,509**
Attributable to:		
Equity holders of the company	6,306	7,495
Minority interests	27	14
	6,333	7,509
Earnings per share attributable to the equity holders of the company (in euros, per share of € 0.50 nominal)		
Basic	**€ 0.08**	**€ 0.10**
Diluted	€ 0.08	€ 0.10

Consolidated statement of comprehensive income
(unaudited)

Amounts in thousands of euros	3 months ended 31 March	
	2012	**2011**
Net income	6,333	7,509
Other comprehensive income after tax		
Currency translation differences	274	-168
Other comprehensive income after tax	274	-168
Total comprehensive income	**6,607**	**7,341**
Attributable to:		
Equity holders of the company	6,580	7,327
Minority interests	27	14
	6,607	7,341

Consolidated balance sheet
(Unaudited)

Amounts in thousands of euros	31 March 2012	31 December 2011
Non-current assets		
Property, plant and equipment	31,849	33,649
Goodwill	920,442	920,428
Other intangible assets	77,665	81,584
Financial fixed assets	12,541	12,354
Deferred income tax assets	73,645	74,183
Other non-current assets	5,457	5,503
	1,121,599	1,127,701
Current assets		
Trade and other receivables	449,980	465,782
Current income tax receivables	4,849	5,565
Cash and cash equivalents	51,105	55,865
	505,934	527,212
Total assets	**1,627,533**	**1,654,913**
Capital and reserves attributable to equity holders of the company		
Share capital	406,390	406,390
Legal reserves	15,399	14,877
Retained earnings	280,292	273,986
	702,081	695,253
Minority interests	569	542
Total equity	702,650	695,795
Non-current liabilities		
Borrowings	103,331	121,675
Pension-related provisions	18	18
Other provisions	12,752	12,173
Deferred income tax liabilities	25,362	26,595
	141,463	160,461
Current liabilities		
Bank overdrafts and borrowings	172,280	140,547
Trade and other payables	522,184	556,632
Income tax liabilities	28,835	31,507
Derivative financial instruments	12,322	13,170
Other provisions	47,799	56,801
	783,420	798,657
Total liabilities	**924,883**	**959,118**
Total equity and liabilities	**1,627,533**	**1,654,913**

Consolidated statement of changes in shareholders' equity
(unaudited)

Amounts in thousands of euros	3 months ended 31 March 2012			3 months ended 31 March 2011		
	Equity attributable to shareholders	Minority interests	Total equity	Equity attributable to shareholders	Minority interests	Total equity
Value as at 1 January	**695,253**	**542**	**695,795**	**740,244**	**554**	**740,798**
Total comprehensive income	6,580	27	6,607	7,327	14	7,341
Share plan	248		248	53		53
Value as at 31 March	**702,081**	**569**	**702,650**	**747,624**	**568**	**748,192**

Consolidated cash flow statement
(unaudited)

Amounts in thousands of euros	3 months ended 31 March	
	2012	2011
Income before taxes	10,834	12,435
Adjusted for:		
Depreciation and impairment of tangible and intangible assets	9,796	11,301
Result from sale of fixed assets	286	74
Financial expenses	5,027	7,193
Financial income	-1,098	-9,842
Share plan expenses processed via equity	248	53
Currency translation differences	237	-114
Change in pension-related liabilities and other provisions	-8,423	-3,787
Change in other non-current assets	46	518
Changes in working capital:		
- trade and other receivables	15,801	-7,765
- trade and other payables	-35,220	8,446
Cash flow from operating activities	-2,466	18,512
Income tax paid	-7,152	-9,585
Net cash flow from operating activities	**-9,618**	**8,927**
Acquisitions of subsidiaries	-	-5,705
Net investments in property, plant and equipment	-1,306	-2,744
Net investments in intangible assets	-3,035	-4,101
Payments on/Proceeds from borrowings and guarantee deposits	220	443
Net cash flow from investment activities	**-4,121**	**-12,107**
Payments on derivatives	-1,953	-2,161
Proceeds from borrowings	15,698	16,356
Repayments of borrowings	-13,616	-20,684
Interest paid	-1,250	-2,292
Interest received	264	78
Net cash flow from financing activities	**-857**	**-8,703**
Decrease / increase in cash and cash equivalents	-14,596	-11,883
Change in cash and cash equivalents		
Bank overdrafts and cash and cash equivalents at the start of the period under review	39,543	15,067
Decrease / increase in cash and cash equivalents	-14,596	-11,883
Bank overdrafts and cash and cash equivalents at the end of the period under review	**24,947**	**3,184**
Breakdown of cash and cash equivalents and bank overdrafts		
Cash and cash equivalents at 31 December as stated on the balance sheet	51,105	73,250
Bank overdrafts	-26,158	-70,066
	24,947	3,184