



PRESS RELEASE

REGUS ANNOUNCES FIRST QUARTER OPERATING PROFIT OF £7.6 MILLION ON A 79 PER CENT INCREASE IN TURNOVER

Chertsey, UK, 9 May 2001, Regus plc, the international serviced office provider (LSE:RGU.L, NASDAQ:REGS), announces its preliminary results for the three months ended 31 March 2001.

Highlights:

	3 months ended		
	31 March 01	31 March 00	
Turnover	£m 137.9	£m 77.2	+79%
Centre contribution	38.3	10.6	+261%
Operating profit/(loss)	7.6	(7.0)	+14.6m
EPS (diluted) (p)	0.8	(1.9)	+2.7p
ADS (diluted) (c) [†]	5.8	(15.6)	+21.4c
Average £:\$	1.44	1.60	

[†] based on UK GAAP

- Turnover up 79% for the quarter at £137.9 million (including growth of 150% in the Americas region).
- Key metric, revenue per available workstation (REVPAW), from established centres increased 26% over the same quarter of 2000 to £2,507 (2000: £1,988).
- Excluding a £2 million receipt for an early termination, centre contribution was up 242% at £36.3 million, representing a centre contribution margin of 26% (2000: 14%). On the same basis, centre contribution margin on established centres increased three per cent to 34%.
- In the three months, 15 new centres, including one joint venture centre, were opened and 9 centres were expanded, in aggregate adding 9,134 workstations to the Regus network and bringing the total at 31 March 2001 to 350 centres and 73,204 workstations.

- Net cash inflow from operating activities of £3.7 million in the quarter.
- Joint ventures signed with Brookfield (US and Canada), Duke Weeks (US), GESCO (India) and Milano Centrale (Italy).
- In April, Stratis Business Centers Inc, the US business centre franchisor, was acquired for \$10 million. Stratis has 12 existing operations and plans to open a further 15 in 2001.
- Also in April, Satellite/Skyport business centres were acquired in the Netherlands and Belgium for NLG 8 million. Satellite/Skyport operates at Schipol, Eindhoven and Brussels airports.

Commenting on the results, Mark Dixon, Chief Executive of Regus, said:

“This is an encouraging result in the context of a challenging business climate. Economic downturn should be a catalyst for companies to re-examine their cost base and at Regus we may be seeing the first signs of a structural shift as companies seek lower cost, flexible workspace solutions that can be tailored to their needs. We remain confident we will meet our targets for the year.”

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THE “SAFE HARBOR” STATEMENT UNDER THE PRIVATE SECURITIES REFORM ACT OF 1995.

The statements in this press release that are not historical facts are forward-looking statements that involve risks and uncertainties, including but not limited to risks associated with the serviced office market, the long-term nature of the company’s lease commitments, its growth ambitions, foreign exchange and other risks and uncertainties, including those detailed in the prospectus that forms a part of the F-1 registration statement filed with the Securities and Exchange Commission.

Review of first quarter 2001

The following table sets forth the Group's revenue, centre contribution and workstations (i.e. weighted average number of available workstations) by geographic region and by established centres vs. new centres:

(in £millions, except workstations)

	2000			2001		
	Revenue	Centre Contribution	Workstations	Revenue	Centre Contribution	Workstations
UK & Ireland	36.1	7.9	15,732	59.2	21.6	21,443
Rest of Europe	24.1	4.6	16,002	39.5	10.7	22,082
Americas	12.3	(0.4)	8,073	30.7	5.4	16,765
Rest of World	4.7	(1.5)	3,907	8.5	0.6	5,024
	<u>77.2</u>	<u>10.6</u>	<u>43,714</u>	<u>137.9</u>	<u>38.3</u>	<u>65,314</u>
Established centres*	38.0	11.7	19,113	88.7	31.9	35,377
New centres	39.2	(1.1)	24,601	49.2	6.4	29,937
	<u>77.2</u>	<u>10.6</u>	<u>43,714</u>	<u>137.9</u>	<u>38.3</u>	<u>65,314</u>

*Established centres are those open for 18 months or more at the period end, new centres are those open for less than 18 months at the period end.

Revenue

Regus' revenue on a global basis increased 79% to £137.9 million in the first quarter 2001 from £77.2 million in the first quarter 2000. The weighted average number of available workstations increased 49% to 65,314 from 43,714 in the same periods. In the first quarter 2001 Regus opened 15 new centres including one joint venture centre and expanded nine centres.

Revenue from established centres increased 133% to £88.7 million in the first quarter 2001 (2000: £38.0 million). Revenue per workstation in Regus' established centres increased to £2,507 (2000: £1,988) principally due to increased prices. Revenue from new centres increased 26% to £49.2 million (2000: £39.2 million). Revenue per workstation in Regus' new centres increased to £1,643 (2000: £1,593) due to the phasing of centre openings in 2001 compared to 2000.

Revenue in the *UK and Ireland* increased 64% to £59.2 million (2000: £36.1 million). Revenue per workstation increased to £2,761 (2000: £2,295). In the first quarter 2001, six new centres were opened in the UK and Ireland.

Revenue in the *Rest of Europe* increased 64% to £39.5 million (2000: £24.1 million). Revenue per workstation increased to £1,789 (2000: £1,506). In the first quarter 2001, three new centres were opened in the Rest of Europe.

Revenue in the *Americas* increased 150% to £30.7 million (2000: £12.3 million). Revenue per workstation increased to £1,831 (2000: £1,524). Regus opened six new centres in the Americas, including five in the US, of which one was a joint venture.

Revenue in the *Rest of the World* increased 81% to £8.5 million (2000: £4.7 million). Revenue per workstation increased to £1,692 (2000: £1,203).

Centre contribution

Centre contribution on a global basis increased 261% to £38.3 million in the first quarter 2001 (2000: £10.6 million). Centre contribution from established centres increased 173% to £31.9 million (2000: £11.7 million) and the centre contribution margin from established centres increased to 36% (2000: 31%). The Group received £2 million in respect of the early termination of a management contract in the UK and Ireland following the sale of the property. Excluding this payment, overall centre contribution increased by 242% to £36.3 million, centre contribution from established centres increased 155% to £29.9 million and established centre contribution margin increased to 34%. Centre contribution from new centres improved to a positive £6.4 million (2000: negative £1.1 million) in line with Regus' continuing strategy of focusing its new centre opening programme on markets in which the Group already operates and thereby reducing start-up costs.

Centre contribution in the *UK and Ireland* increased 173% to £21.6 million (2000: £7.9 million). Centre contribution margin in the UK and Ireland increased to 36% in the first quarter (2000: 22%). Excluding the £2 million receipt described above, centre contribution in the UK and Ireland increased by 148% to £19.6 million and centre contribution margin increased to 33%. The Group continued to open centres in prime locations concentrating mainly on areas in and around London.

In the *Rest of Europe*, centre contribution increased 133% to £10.7 million (2000: £4.6 million). Centre contribution margin in the Rest of Europe increased to 27% in the first quarter (2000: 19%). The Group opened centres in Italy, France and The Netherlands.

Centre contribution from the *Americas* increased to a positive £5.4 million from a negative £0.4 million in 2000. The Group added five further centres to its US network in Washington, Charlotte, San Francisco, Miami and Michigan as well as one centre in Mexico.

Centre contribution in the *Rest of the World* improved to a positive £0.6 million from negative £1.5 million in 2000. No new centres were opened in the Rest of the World region.

Administrative expenses

Administrative expenses increased 75% to £29.8 million (2000: £17.0 million) as a result of continued investment in sales, marketing and administrative infrastructure to support Regus' expanding network of centres. Overall, administrative expenses remained at 22% as a percentage of revenues. In the first quarter, sales and marketing costs increased 45% to £14.4 million (2000: £9.9 million). Regional and central overheads increased 117% to £15.4 million (2000: £7.1 million). Sales and marketing efforts were concentrated in existing markets with no new operations commencing in new countries in the first quarter 2001 (one new country in 2000). Nevertheless, marketing costs in 2001 are expected to be weighted towards the first half, reflecting the planned schedule of new centre openings.

Liquidity and capital resources

Cash at bank and in hand at 31 March 2001 was £148.3 million, up from £61.4 million at 31 March 2000. Total bank indebtedness at 31 March 2001 was £11.4 million (2000: £106.7 million). In addition, at 31 March 2001 the Group had outstanding finance lease obligations of £41.1 million (2000: £20.6 million).

Cash inflow from operating activities in the three months ended 31 March 2001 was £3.7 million. The group was interest neutral on a net basis, £0.6 million was paid in tax and £26.4 million in capital expenditure. A further £0.5 million was invested in joint ventures.

Acquisitions

On 23 April, the Group acquired Stratis Business Centers Inc in the US for \$10 million in cash and shares. Stratis has 12 existing operations with plans to open an additional 15 in 2001. Stratis will provide a significant franchising footprint in the US market with a broad presence throughout Eastern US, including Alabama, Florida, New Jersey and Georgia and brings a strong franchising management team to take responsibility for Regus' franchising strategy throughout the Americas.

On 25 April the Group acquired Satellite/Skyport Conference Centers for NLG8 million. The acquisition is to take effect from 1 January 2001. Satellite has complete business centres at Schiphol and Eindhoven airports. Skyport Corporate Meeting Centres has locations at Schiphol and Brussels airports.

Outlook

The outlook for Regus' business remains positive although trading conditions generally have become more challenging over the last two quarters, particularly in the US.

Enquiry levels, a good indicator of future demand for Regus services, remain buoyant overall and, in the US in particular, increased 59% in the first quarter 2001 over fourth quarter 2000. Across the Group, enquiries were up 57% in the first quarter 2001 compared with fourth quarter 2000. The nature of enquiries is trending towards larger, longer term contracts that, by their nature, take longer to conclude and tend to be at finer margins because customers are more price-sensitive. The impact of these types of contracts on Regus is mitigated by reduced resale costs.

Significantly more workstations will be added to the network in the first half 2001 compared with second half 2001. The Group expects to add approximately 10,000 workstations to the network in the second quarter 2001 which is expected to limit centre contribution in the second quarter but beneficially impact second half 2001 contribution.

Overall, the Group is confident it will meet its targets for 2001.

Regus plc
Consolidated profit and loss account
For the 3 months ended 31 March 2001 and 31 March 2000

	3 months ended 31 March 01 (unaudited) £'000	3 months ended 31 March 00 (unaudited) £'000
Turnover (including share of joint ventures)	141,183	77,473
Less: Share of turnover of joint ventures	(3,264)	(264)
Turnover	137,919	77,209
Cost of sales (centre costs)	(99,599)	(66,622)
Gross profit (centre contribution)	38,320	10,587
Administration expenses	(29,759)	(16,994)
Group operating profit/(loss)	8,561	(6,407)
Share of operating loss in joint ventures	(959)	(586)
Total operating profit/(loss): Group and share of joint ventures	7,602	(6,993)
Net interest receivable/(payable)		
- Group	908	(2,165)
- Joint ventures	(61)	-
Profit/(loss) on ordinary activities before tax	8,449	(9,158)
Tax on profit/(loss) on ordinary activities	(3,979)	(341)
Profit/(loss) on ordinary activities after tax	4,470	(9,499)
Minority interests (equity)	155	152
Retained profit/(loss) for the period	4,625	(9,347)
Earnings / (loss) per ordinary share:		
Basic (p)	0.82	(1.94)
Diluted (p)	0.80	(1.94)

All results arose from continuing operations

Regus plc
Consolidated balance sheets
As at 31 March 2001 and 31 December 2000

	As at 31 March 2001 (unaudited) £'000	As at 31 December 2000 (audited) £'000
Fixed assets		
Tangible assets	221,208	193,453
Investments		
Investments in own shares	45,477	47,021
Interest in joint ventures:		
Share of gross assets	14,184	13,601
Share of gross liabilities	(10,327)	(9,461)
	3,857	4,140
Total investments	49,334	51,161
	270,542	244,614
Current assets		
Stocks	295	279
Debtors: amounts falling due within one year	150,440	129,677
Cash at bank and in hand	148,289	169,821
	299,024	299,777
Creditors: amounts falling due within one year	(329,104)	(317,883)
Net current liabilities	(30,080)	(18,106)
Total assets less current liabilities	240,462	226,508
Creditors: amounts falling due after more than one year	(31,900)	(23,050)
Provisions for liabilities and charges	(794)	(794)
Net assets/(liabilities)	207,768	202,664
Capital and reserves		
Called up share capital	29,034	29,034
Share premium account	279,789	279,858
Other reserves	615	615
Profit and loss account	(101,089)	(106,417)
Equity shareholders' funds/(deficit)	208,349	203,090
Equity minority interests	(581)	(426)
	207,768	202,664

Regus plc
Consolidated cash flow statement
For the three months ended 31 March 2001 and 31 March 2000

3 months ended	3 months ended
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	31 March 01 (unaudited) £'000	31 March 00 (unaudited) £'000
Cash inflow from continuing operating activities		
Net cash inflow	<u>3,722</u>	<u>13,248</u>
Returns on investments and servicing of finance		
Interest received	1,723	592
Interest paid	(883)	(2,168)
Interest paid on finance leases	(789)	(581)
	<u>51</u>	<u>(2,157)</u>
Taxation		
Tax paid	(590)	(97)
	<u>(590)</u>	<u>(97)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(26,472)	(16,837)
Sale of tangible fixed assets	100	61
	<u>(26,372)</u>	<u>(16,776)</u>
Acquisitions and disposals		
Investments in joint ventures	(529)	(1,814)
	<u>(529)</u>	<u>(1,814)</u>
Cash (outflow) before management of liquid resources and financing	(23,718)	(7,596)
Management of liquid resources	35,264	15,934
Financing	(3,986)	(6,899)
Increase in cash in the period	<u>7,560</u>	<u>1,439</u>

Regus plc
Statement of total recognised gains and losses
For the three months ended 31 March 2001 and twelve months ended 31
December 2000

	3 months ended 31 March 2001 (unaudited) £'000	12 months ended 31 December 2000 (audited) £'000
Retained profit / (loss) for the financial period	4,625	(13,530)
Currency translation differences	703	2,675
Tax charge on exchange differences	-	(872)
Total recognised profits / (losses) for the period	<u>5,328</u>	<u>(11,727)</u>

Reconciliation of movements in Group shareholders' funds

	3 months ended 31 March 2001 (unaudited) £'000	12 months ended 31 December 2000 (audited) £'000
Retained profit / (loss) for the financial period	4,625	(13,530)
Proceeds of ordinary shares issued / (issue costs)	(69)	238,548
Currency translation differences	703	2,675
Tax charge on exchange differences	-	(872)
Net increase/(decrease) in shareholders' funds	<u>5,259</u>	<u>226,821</u>
Shareholders' funds/(deficit) at 1 January	203,090	(23,731)
Shareholders' funds/(deficit) at 31 March	<u>208,349</u>	<u>203,090</u>

Notes

1. Segmental reporting

Turnover:

	Three months ended 31 March	
	2001 £'000	2000 £'000
UK & Ireland	59,424	36,129
Rest of Europe	39,480	24,134
Americas	33,791	12,592
Rest of World	8,488	4,618
	<u>141,183</u>	<u>77,473</u>
Total Group	137,919	77,209
Total joint ventures	3,264	264

Profit/(loss) before interest and tax:

	Three months ended 31 March	
	2001 £'000	2000 £'000
UK & Ireland	14,662	3,919
Rest of Europe	1,550	(1,059)
Americas	(5,092)	(6,051)
Rest of World	(2,090)	(3,586)
Other office costs	(1,428)	(216)
	<u>7,602</u>	<u>(6,993)</u>
Total Group	8,561	(6,407)
Total joint ventures	(959)	(586)

2. Earnings/(loss) per share

Earnings/(loss) per share after exceptional items is based upon profits / (losses) for the three months ended 31 March 2001 and 2000 of £4,625,000 and £(9,347,000) respectively. Earnings per share are calculated using the following weighted average numbers of shares:

	Three months ended 31 March	
	2001 000's	2000 000's
Ordinary shares – basic	562,556	481,222
Ordinary shares – fully diluted	576,131	481,222

3. (a) Reconciliation of operating profit to net cash inflow from operating activities

	3 months ended 31 March 01 (unaudited) £'000	3 months ended 31 March 00 (unaudited) £'000
Continuing operations		
Operating profit/(loss)	8,561	(6,407)
Depreciation charge	13,939	7,632
Profit/(loss) on disposal of fixed assets	(2)	68
(Increase)/decrease in stocks	(17)	7
Increase in debtors	(20,333)	(10,990)
Increase in creditors	1,574	22,938
Net cash inflow from continuing operations	3,722	13,248

3. (b) Financing and management of liquid resources

	3 months ended 31 March 01 (unaudited) £'000	3 months ended 31 March 00 (unaudited) £'000
Management of liquid resources		
New cash deposits	(2,805)	(2,276)
Repayment of cash deposits	38,069	18,210
	<u>35,264</u>	<u>15,934</u>
Financing		
New loans	1,541	389
Repayment of loans	(1,184)	(4,769)
Payment of principal under finance leases	(4,274)	(2,519)
Issue costs	(69)	-
	<u>(3,986)</u>	<u>(6,899)</u>

3. (c) Reconciliation of net cash flow to movement in net (borrowings)/ funds

	3 months ended 31 March 01 (unaudited) £'000	3 months ended 31 March 00 (unaudited) £'000
Increase in cash in the period	7,560	1,439
Cash (inflow)/outflow from change in borrowings and finance leases	3,917	6,899
Cash outflow from increase in liquid resources	(35,264)	(15,934)
Change in net funds/borrowings from cash flows	<u>(23,787)</u>	<u>(7,596)</u>
Other non-cash items:		
New finance leases	(12,567)	(449)
Translation difference	(1,462)	(18)
Movement in net funds/borrowings in the period	<u>(37,816)</u>	<u>(8,063)</u>
Net funds/(borrowings) at 1 January	130,013	(59,902)
Net funds/(borrowings) at 31 March	<u>92,197</u>	<u>(67,965)</u>

3 (d) Analysis of changes in net funds/(borrowings) in the year

	At 1 January 2001 £'000	Cashflow £'000	Non-cash changes £'000	Exchange movements £'000	At 31 March 2001 £'000
Cash at the bank and in hand	31,432	13,884	-	(630)	44,686
Overdrafts	(1,203)	(6,324)	-	(19)	(7,546)
	<u>30,229</u>	<u>7,560</u>	<u>-</u>	<u>(649)</u>	<u>37,140</u>
Debt due after 1 year	(1,487)	(1,277)	(41)	25	(2,780)
Debt due within 1 year	(5,354)	920	(5)	(211)	(4,650)
Finance leases due after 1 year	(21,150)	3,552	(10,344)	(780)	(28,722)
Finance leases due within 1 year	(10,614)	722	(2,177)	(325)	(12,394)
	<u>(38,605)</u>	<u>3,917</u>	<u>(12,567)</u>	<u>(1,291)</u>	<u>(48,546)</u>
Liquid resources	138,389	(35,264)	-	478	103,603
	<u><u>130,013</u></u>	<u><u>(23,787)</u></u>	<u><u>(12,567)</u></u>	<u><u>(1,462)</u></u>	<u><u>92,197</u></u>

Liquid resources comprise cash held on deposit

Non-cash changes comprise new finance leases and reclassifications between categories

4. US GAAP reconciliation

The following is a summary of the adjustments to net income/(loss) and shareholders funds/(deficit) in accordance with US GAAP:

Net income/(loss):

	Three months ended 31 March	
	2001 £'000	2000 £'000
Net profit/ (loss) reported in accordance with UK GAAP	4,625	(9,347)
US GAAP adjustments:		
Compensation expense related to other variable plan options	875	-
Deferred taxes	131	1,273
Net profit/(loss) in accordance with US GAAP	<u>5,631</u>	<u>(8,074)</u>

US GAAP reconciliation contd...

Shareholders' (deficit)/funds:

	As at 31 March 2001 £'000	As at 31 December 2000 £'000
Shareholders funds in accordance with UK GAAP	208,349	203,090
US GAAP adjustments		
Compensation expense related to other variable plan options	10,904	10,778
Deferred taxes	2,033	1,902
Employee share trust (investment in own shares)	(45,477)	(47,021)
Shareholders' funds in accordance with US GAAP	<u>175,809</u>	<u>168,749</u>