



PRESS RELEASE

Embargoed until 12:00 noon BST, 7:00 am EST Tuesday 31 July 2001

REGUS ANNOUNCES SECOND QUARTER OPERATING LOSS OF £4.3 MILLION ON A 35 PER CENT INCREASE IN TURNOVER

Chertsey, UK, 31 July 2001, Regus plc, the international serviced office provider (LSE:RGU.L, NASDAQ:REGS), announces its preliminary results for the three months ended 30 June 2001.

Highlights:

	3 months ended			Six months ended		
	30 June 01	30 June 00		30 June 01	30 June 00	
	£m	£m		£m	£m	
Turnover	132.9	98.7	+35%	270.9	175.9	+54%
Centre contribution	18.9	23.0	-18%	57.2	33.6	+70%
Operating profit/(loss)*	(4.3)	2.8	-7.1m	3.3	(4.2)	+7.5m
EPS (diluted) (p)*	(2.2)	(0.6)	-1.6p	(1.4)	(2.6)	+1.2p
ADS (diluted) (c)*†	(15.5)	(4.9)	-10.6c	(10.0)	(20.2)	+10.2c
Average £:\$	1.42	1.53		1.43	1.57	

* before exceptional items

† based on UK GAAP

- Turnover up 35% for the quarter at £132.9 million (including growth of 56% in the Americas region).
- Key metric, revenue per available workstation (REVPAW), from established centres decreased 2% over the same quarter of 2000 to £2,162 (2000: £2,198).
- Centre contribution fell 18% to £18.9 million, representing a centre contribution margin of 14% (2000: 23%). On the same basis, centre contribution margin on established centres decreased 3% to 28%.
- In the three months, 34 new centres, including four joint venture centres but excluding franchises, were added and 9 centres were expanded with two centres

closing. In aggregate this added 10,808 workstations to the Regus network and brought the total at 30 June 2001 to 382 centres and 84,012 workstations.

- Exceptional one-time charge of £3.2 million in the quarter in connection with the aborted acquisition of Frontline Capital Group and HQ Global Workplaces
- Net cash inflow from operating activities of £33.8 million in the year to date.

Enquiries:

Regus

Mark Dixon, Chief Executive
Stephen Stamp, Group Finance Director

Today: +44 20 8895 4000
Thereafter: +44 1932 895000

Financial Dynamics

David Yates

Tel: +44 20 7831 3113

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 Form 20-F filed with the Securities and Exchange Commission.

Review of second 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	44.6	13.4	17,405	55.7	16.0	23,445
Rest of Europe	28.3	6.7	16,824	38.9	6.4	24,755
Americas	19.0	2.5	9,202	29.7	(4.2)	21,799
Rest of World	6.8	0.4	4,255	8.6	0.7	5,250
	<u>98.7</u>	<u>23.0</u>	<u>47,686</u>	<u>132.9</u>	<u>18.9</u>	<u>75,249</u>
Established centres*	50.3	15.6	22,882	92.5	25.7	42,791
New centres	48.4	7.4	24,804	40.4	(6.8)	32,458
	<u>98.7</u>	<u>23.0</u>	<u>47,686</u>	<u>132.9</u>	<u>18.9</u>	<u>75,249</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 35% to £132.9 million in the second quarter 2001 from £98.7 million in the second quarter 2000. The weighted average number of available workstations increased 58% to 75,249 from 47,686 in the same period. In the second quarter 2001 Regus opened 34 new centres including four joint venture centres and expanded nine centres.

Revenue from established centres increased 84% to £92.5 million in the second quarter 2001 (2000: £50.3 million). Revenue per workstation in Regus' established centres decreased to £2,162 (2000: £2,198) principally due to lower occupancy rates. Revenue from new centres decreased 17% to £40.4 million (2000: £48.4 million). Revenue per workstation in Regus' new centres decreased to £1,245 (2000: £1,951) reflecting the focus of the rollout program in the USA.

Revenue in the *UK and Ireland* increased 25% to £55.7 million (2000: £44.6 million). Revenue per workstation decreased to £2,376 (2000: £2,562). In the second quarter 2001, five new centres were opened in the UK and Ireland.

Revenue in the *Rest of Europe* increased 38% to £38.9 million (2000: £28.3 million). Revenue per workstation decreased to £1,571 (2000: £1,682). In the second quarter 2001, 12 new centres were added in the Rest of Europe including three from the Skyport/Satellite acquisition.

Revenue in the *Americas* increased 56% to £29.7 million (2000: £19.0 million). Revenue per workstation decreased to £1,362 (2000: £2,065). Regus opened 16 new centres in the Americas, including 12 in the US, of which one was a joint venture, one in Mexico and three joint venture centres in Canada.

Revenue in the *Rest of the World* increased 27% to £8.6 million (2000: £6.8 million). Revenue per workstation increased to £1,638 (2000: £1,598). One new centre was opened in Dubai.

Centre contribution

Centre contribution on a global basis decreased 18% to £18.9 million in the second quarter 2001 (2000: £23.0 million). Centre contribution from established centres increased 65% to £25.7 million (2000: £15.6 million) with the centre contribution margin from established centres decreasing to 28% (2000: 31%). Centre contribution from new centres fell to a negative £6.8 million (2000: positive £7.4 million) as a result of opening 34 new centres in the quarter compared to only 20 in the same quarter in 2000 as well as a slowing down in the market.

Centre contribution in the *UK and Ireland* increased 19% to £16.0 million (2000: £13.4 million). Centre contribution margin in the UK and Ireland decreased to 29% in the second quarter (2000: 30%).

In the *Rest of Europe*, centre contribution decreased 5% to £6.4 million (2000: £6.7 million). Centre contribution margin in the Rest of Europe decreased to 16% in the second quarter (2000: 24%). The Group added centres in Austria, Finland, France, Germany, The Netherlands, Norway and Sweden.

Centre contribution from the *Americas* decreased to a negative £4.2 million from a positive £2.5 million in 2000. A significant factor in this reversal is that in the second quarter of 2000 only 5 wholly owned centres were opened in the Americas region with the remaining four centres being 50:50 joint venture centres and thus not consolidated at a centre contribution level. Of the 16 new centres opened in the second quarter of 2001 only one centre was a non-consolidating 50:50 joint venture and so the opening losses attributable to the quarter were much higher.

Centre contribution in the *Rest of the World* improved to £0.7 million from £0.4 million in 2000.

Administrative expenses

Administrative expenses including goodwill amortisation increased 11% to £21.7 million (2000: £19.5 million) as a result of continued investment in sales, marketing and administrative infrastructure to support Regus' expanding network of centres. Overall, administrative expenses fell to 16% as a percentage of revenues compared to 20% in the second quarter of 2000. Sales and marketing costs increased 38% to £14.2 million (2000: £10.3 million) but stayed the same as a percentage of revenue at 10% (2000: 10%). Regional and central overheads decreased 18% to £7.5 million (2000: £9.2 million) and fell as a percentage of revenue to 6% (2000: 9%). 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 30 June 2001 was £108.8 million, down from £169.8 million at 31 December 2000. Total bank indebtedness at 30 June 2001 was £7.3 million compared to £5.8 million at 31 December 2000. In addition, at 30 June 2001 the Group had outstanding finance lease obligations of £39.1 million (31 December 2000: £31.7 million).

Cash inflow from operating activities in the six months ended 30 June 2001 was £33.8 million. The group paid £0.7 million interest (net), £4.6 million was paid in tax and £73.8 million in capital expenditure. A further £5.8 million was used in acquisitions and £1.1 million was invested in joint ventures.

Investment in own shares

At 30 June 2001, the Regus Employee Trust held 18,120,670 shares in Regus plc which were stated at a cost of £45.2 million in the Regus balance sheet. The market values of the shares on 30 June 2001 and at the close of business on Monday 30 July were £29.0 million and £7.2 million respectively. Had the Regus Employee Trust shares been stated at market value on 30 June 2001 or 30 July 2001, a write-down of £16.2 million or £38.0 million respectively would have been charged to profit and loss.

In view of the recently issued Trading Statement and the consequent impact on Regus' stock price, the Directors will be examining the carrying value of the investment in own shares during the third and fourth quarters of 2001 with a view to establishing whether or not there has been an impairment as defined by UK GAAP in the carrying value of that investment. To the extent that the Directors determine that there has been an impairment and a write-down is required, it is expected that any such charge will be treated as an exceptional item.

Directors' share dealings

Maxon Investments BV, a company owned by Mark Dixon, intends to acquire 4,399,594 Regus shares at 39.5p each from Theatre Acquisitions LLC, a company controlled by Roger Orf, a non-executive director of Regus. Following completion of the transaction, Maxon's holding will increase to 359,728,880 Regus shares, representing approximately 61.9% of the issued share capital and Theatre Acquisitions' holding will be reduced to nil.

Outlook

The Group issued a Trading Statement on 3 July 2001. The Trading Statement incorporated revised expectations for turnover and operating profit before exceptional items for 2001. Whilst the Board has no reason to revise these expectations, the trading environment remains uncertain, particularly in North America, the UK, the Benelux countries and Germany.

Regus Plc
Consolidated Profit & Loss Account
For the 3 months and 6 months ended 30 June 2001 and 30 June 2000

	3 months ended 30 June 01 (unaudited) £'000	3 months ended 30 June 00 (unaudited) £'000	6 months ended 30 June 01 (unaudited) £'000	6 months ended 30 June 00 (audited) £'000
Turnover (including share of joint ventures)	135,860	100,048	277,043	177,521
Less: Share of turnover of joint ventures	(2,925)	(1,330)	(6,189)	(1,594)
Turnover	132,935	98,718	270,854	175,927
Cost of sales (centre costs)	(114,067)	(75,746)	(213,666)	(142,368)
Gross profit (centre contribution)	18,868	22,972	57,188	33,559
Administration expenses before goodwill amortisation and exceptional items	(21,618)	(19,475)	(51,377)	(36,469)
Goodwill amortisation	(114)	-	(114)	-
Exceptional items	(3,245)	-	(3,245)	-
Administration expenses after goodwill amortisation and exceptional items	(24,977)	(19,475)	(54,736)	(36,469)
Group operating (loss)/profit	(6,109)	3,497	2,452	(2,910)
Share of operating loss in joint ventures	(1,440)	(746)	(2,399)	(1,332)
Total operating (loss)/profit: Group and share of joint ventures	(7,549)	2,751	53	(4,242)
Net interest receivable/(payable)				
- Group	(42)	(2,293)	866	(4,458)
- Joint ventures	(48)	-	(109)	-
Loss on ordinary activities before tax	(7,639)	458	810	(8,700)
Tax on loss on ordinary activities	(7,938)	(3,567)	(11,917)	(3,908)
Loss on ordinary activities after tax	(15,577)	(3,109)	(11,107)	(12,608)
Minority interests (equity)	783	40	938	192
Retained loss for the period	(14,794)	(3,069)	(10,169)	(12,416)
(Loss) per ordinary share:				
Basic (p)	(2.6)	(0.6)	(1.8)	(2.6)
Diluted (p)	(2.6)	(0.6)	(1.8)	(2.6)
Basic (p) (before exceptional items)	(2.2)	(0.6)	(1.4)	(2.6)
Diluted (p) (before exceptional items)	(2.2)	(0.6)	(1.4)	(2.6)

All results arose from continuing operations

Regus plc
Consolidated balance sheets
As at 30 June 2001 and 31 December 2000

	As at 30 June 2001 (unaudited) £'000	As at 31 December 2000 (audited) £'000
Fixed assets		
Intangible assets	9,244	-
Tangible assets	252,891	193,453
Investments		
Investments in own shares	45,207	47,021
Interest in joint ventures:		
Share of gross assets	13,261	13,601
Share of gross liabilities	(10,343)	(9,461)
	2,918	4,140
Total investments	48,125	51,161
	310,260	244,614
Current assets		
Stocks	319	279
Debtors: amounts falling due within one year	131,822	129,677
Cash at bank and in hand	108,849	169,821
	240,990	299,777
Creditors: amounts falling due within one year	(330,058)	(317,883)
Net current liabilities	(89,068)	(18,106)
Total assets less current liabilities	221,192	226,508
Creditors: amounts falling due after more than one year	(26,806)	(23,050)
Provisions for liabilities and charges	(794)	(794)
Net assets	193,592	202,664
Capital and reserves		
Called up share capital	29,103	29,034
Share premium account	283,182	279,858
Other reserves	598	615
Profit and loss account	(118,740)	(106,417)
Equity shareholders' funds	194,143	203,090
Equity minority interests	(551)	(426)
	193,592	202,664

Regus plc
Consolidated cash flow statement

For the six months ended 30 June 2001 and 30 June 2000

	6 months ended 30 June 01 (unaudited) £'000	6 months ended 30 June 00 (audited) £'000
Cash inflow from continuing operating activities		
Net cash inflow	<u>33,750</u>	<u>38,158</u>
Returns on investments and servicing of finance		
Interest received	2,948	1,173
Interest paid	(2,025)	(4,321)
Interest paid on finance leases	(1,634)	(1,284)
	<u>(711)</u>	<u>(4,432)</u>
Taxation		
Tax paid	(4,638)	(245)
	<u>(4,638)</u>	<u>(245)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(73,845)	(36,082)
Sale of tangible fixed assets	18	284
	<u>(73,827)</u>	<u>(35,798)</u>
Acquisitions and disposals		
Purchase of subsidiary undertakings	(5,835)	-
Investments in joint ventures	(1,093)	(3,789)
	<u>(6,928)</u>	<u>(3,789)</u>
Cash (outflow) before management of liquid resources and financing	(52,354)	(6,106)
Management of liquid resources	58,527	7,780
Financing	(9,711)	2,035
(Decrease)/Increase in cash in the period	<u>(3,538)</u>	<u>3,709</u>

Regus plc
Statement of total recognised gains and losses
For the six months ended 30 June 2001 and twelve months ended 31 December 2000

	6 months ended 30 June 2001 (unaudited) £'000	12 months ended 31 December 2000 (audited) £'000
Retained (loss) for the financial period	(10,169)	(13,530)
Pre-acquisition profits	50	-
Currency translation differences	(1,909)	2,675
Tax charge on exchange differences	(295)	(872)
Total recognised (losses) for the period	<u>(12,323)</u>	<u>(11,727)</u>

Reconciliation of movements in Group shareholders' funds

	6 months ended 30 June 2001 (unaudited) £'000	12 months ended 31 December 2000 (audited) £'000
Retained (loss) for the financial period	(10,169)	(13,530)
Pre-acquisition profits	50	-
Ordinary shares issued / (issue costs)	3,393	238,548
Currency translation differences	(1,926)	2,675
Tax charge on exchange differences	(295)	(872)
Net (decrease)/increase in shareholders' funds	<u>(8,947)</u>	<u>226,821</u>
Shareholders' funds/(deficit) at 1 January	203,090	(23,731)
Shareholders' funds at period end	<u>194,143</u>	<u>203,090</u>

Notes

1. Segmental reporting

Turnover:

	Three months ended		Six months ended	
	30 June		30 June	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
UK & Ireland	55,956	44,636	115,380	80,765
Rest of Europe	38,886	28,278	78,366	52,412
Americas	32,436	20,376	66,227	32,968
Rest of World	8,582	6,758	17,070	11,376
	<u>135,860</u>	<u>100,048</u>	<u>277,043</u>	<u>177,521</u>
Total Group	132,935	98,718	270,854	175,927
Total joint ventures	2,925	1,330	6,189	1,594

(Loss)/Profit before interest and tax:

	Three months ended		Six months ended	
	30 June		30 June	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
UK & Ireland	11,272	8,052	25,934	11,971
Rest of Europe	579	617	2,129	(442)
Americas	(12,730)	(4,369)	(17,822)	(10,420)
Rest of World	(1,272)	(1,695)	(3,362)	(5,281)
Other office costs	(2,153)	146	(3,581)	(70)
Exceptional item	(3,245)	-	(3,245)	-
	<u>(7,549)</u>	<u>2,751</u>	<u>53</u>	<u>(4,242)</u>
Total Group	(6,109)	3,497	2,452	(2,910)
Total joint ventures	(1,440)	(746)	(2,399)	(1,332)

2. Loss per share

Loss per share after exceptional items is based upon losses for the three months ended 30 June 2001 and 2000 of £(14,794,000) and £(3,069,000) respectively. Loss per share before exceptional items is based on losses for the three months ended 30 June 2001 of £(12,523,000) after adjusting for tax of £974,000 on the exceptional item. Losses per share are calculated using the following weighted average numbers of shares:

	Three months ended 30 June		Six months ended 30 June	
	2001 000's	2000 000's	2001 000's	2000 000's
Ordinary shares				
– basic	563,593	481,222	563,077	481,222
Ordinary shares				
– fully diluted	573,120	481,222	574,539	481,222

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

	Six months ended 30 June 01 (unaudited) £'000	Six months ended 30 June 00 (audited) £'000
Continuing operations		
Operating profit/(loss)	2,452	(2,910)
Depreciation charge	31,097	17,322
Goodwill amortisation	114	-
Loss on disposal of fixed assets	8	57
(Increase) in stocks	(33)	(8)
(Increase) in debtors	(3,716)	(30,045)
Increase in creditors	3,828	53,742
Net cash inflow from continuing operations	33,750	38,158

3. (b) Financing and management of liquid resources

	Six months ended 30 June 01 (unaudited)	Six months ended 30 June 00 (audited)
	£'000	£'000
Management of liquid resources		
New cash deposits	(8,703)	(422)
Repayment of cash deposits	67,230	8,202
	<u>58,527</u>	<u>7,780</u>
Financing		
New loans	1,586	13,242
Repayment of loans	(3,355)	(5,169)
Payment of principal under finance leases	(7,850)	(6,038)
Issue costs	(92)	-
	<u>(9,711)</u>	<u>2,035</u>

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

	Six months ended 30 June 01 (unaudited)	Six months ended 30 June 00 (audited)
	£'000	£'000
(Decrease)/increase in cash in the period	(3,538)	3,709
Cash outflow/(inflow) from change in borrowings and finance leases	9,619	(2,035)
Cash (inflow) from decrease in liquid resources	(58,527)	(7,780)
Change in net funds/borrowings from cash flows	<u>(52,446)</u>	<u>(6,106)</u>
Acquisitions	(627)	-
Other non-cash items:		
New finance leases	(14,304)	(10,345)
Translation difference	(2,355)	16
Movement in net funds/borrowings in the period	<u>(69,732)</u>	<u>(16,435)</u>
Net funds/(borrowings) at 1 January	130,013	(59,902)
Net funds/(borrowings) at period end	<u>60,281</u>	<u>(76,337)</u>

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

	At 1 January 2001	Cashflow	Acquisiti ons	Non-cash changes	Exchange movement s	At Ju 20
	£'000	£'000	£'000	£'000	£'000	£'0
Cash at the bank and in hand	31,432	(1,308)	156	-	(1,249)	29,0
Overdrafts	(1,203)	(2,230)	-	-	5	(3,4
	<u>30,229</u>	<u>(3,538)</u>	<u>156</u>	<u>-</u>	<u>(1,244)</u>	<u>25,6</u>
Debt due after 1 year	(1,487)	117	-	(34)	49	(1,3
Debt due within 1 year	(5,354)	1652	(783)	(12)	(146)	(4,6
Finance leases due after 1 year	(21,150)	5,400	-	(8,632)	(678)	(25,0
Finance leases due within 1 year	(10,614)	2,450	-	(5,626)	(292)	(14,0
	<u>(38,605)</u>	<u>9,619</u>	<u>(783)</u>	<u>(14,304)</u>	<u>(1,067)</u>	<u>(45,1</u>
Liquid resources	138,389	(58,527)	-	-	(44)	79,8
	<u>130,013</u>	<u>(52,446)</u>	<u>(627)</u>	<u>(14,304)</u>	<u>(2,355)</u>	<u>60,2</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 loss and shareholders funds in accordance with US GAAP:

Net loss:

	Three months ended 30 June	
	2001 £'000	2000 £'000
Net loss reported in accordance with UK GAAP	(14,794)	(3,069)
US GAAP adjustments:		
Compensation expense related to options granted by shareholder	-	(6,836)
Compensation expense related to other variable plan options	2,987	(616)
Deferred taxes	449	1,273
Net loss in accordance with US GAAP	<u>(11,358)</u>	<u>(9,248)</u>

US GAAP reconciliation contd...

Shareholders' funds:

	As at 30 June 2001 £'000	As at 31 December 2000 £'000
Shareholders' funds in accordance with UK GAAP	194,143	203,090
US GAAP adjustments		
Compensation expense related to other variable plan options	9,896	10,778
Deferred taxes	2,483	1,902
Employee share trust (investment in own shares)	(45,207)	(47,021)
Shareholders' funds in accordance with US GAAP	<u>161,315</u>	<u>168,749</u>