



PRESS RELEASE

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FIRST QUARTER RESULTS TO END MARCH 2002

Chertsey, UK, 7 May 2002, Regus plc, the global serviced office provider (LSE:RGU.L, NASDAQ:REGS), announces its preliminary results for the three months ended 31 March 2002.

Announcing the results, Chairman George Gray commented: "During the quarter, we intensified our focus on pricing, occupancy and cost and the fundamentals of our business. Recently, we have begun to see some modest stabilisation in price, especially in the US. Despite this, we remain committed to further reducing our cost base. We continue to cut overheads and fixed costs are being re-negotiated.

"We have a record number of customers in our centres. We remain cash positive at the operating level. Our strategy of growth through franchising and management contracts has led to new business in Europe and the US. In Scotland, we signed a milestone management contract agreement with the UK's top property owner Land Securities.

"The impact of the economic downturn is driving more and more organisations, corporates and governments, to use Regus for the cost-effective outsourcing of their office requirements. This has been demonstrated by the landmark £100 million global outsourcing deal with Nokia as well as more than £35 million of other outsourcing business booked during this quarter.

"In line with Regus' policy of discounting price for term, many of these deals are for longer periods of time and will therefore add even more strength to our contracted forward order book rather than have an immediate impact on revenues.

"As expected, 2002 is proving to be a challenging year for the global economy. Regus is prepared to meet the challenges head-on."

Key financials:

	3 months ended		
	31 March 2002	31 March 2001	
	£m	£m	
Turnover	110.7	137.9	-20%
Operating (loss)/profit	(9.9)	7.6	-17.5m
EPS (basic & diluted)(p)	(2.7)	0.8	-3.5p
EPADS (basic & diluted)(c)†	(19.0)	5.8	-24.8c
Average £:\$	1.42	1.44	

† based on UK GAAP

Operational

- During the quarter, Regus signed its largest ever outsourcing deal -- for £100 million with Nokia. Nokia is part of an accelerating trend towards outsourcing of office requirements by corporates and governments around the world. An additional £35 million of outsourcing business was booked during the quarter.
- Regus now serves more than 6,300 customers across 50 countries. A record number of people, almost 55,000, work in Regus centres on a daily basis.
- The number of new workstations coming on stream slowed to a growth rate of 1% per quarter. This brought the total at 31 March 2002 to 95,420 workstations across 414 centres in 50 countries (including joint ventures and franchises).

Financial

- Turnover at £110.7 million for the quarter was down 20% on the first quarter of 2001 and down 7% on the fourth quarter.
- There was a record contracted forward order book of £295 million at 31 March 2002 (based on workstation revenue but excluding service revenue).
- The success of our strategy of discounting price for longer-term contracts led to average contract length stabilising at 10.8 months in the first quarter. Revenue per available workstation (REVPAW) from established centres was £1,438 (2001: £2,393), reflecting the impact of economic downturn.
- Overheads were down on the previous quarter by a further 29%, in line with expectations.
- Regus was cash positive at the operating level for the quarter. Net cash inflow from operating activities was £2.9 million in the first quarter, up £2.6 million on the previous quarter. Cash at bank totalled £104.6 million at 31 March 2002 (which includes £36 million from the issue of a convertible bond at 28 December 2001).
- Capital expenditure in the first quarter was stable at £4.6 million, in line with expectations.

Enquiries:

Regus

Mark Dixon, Chief Executive

Today: +44 1932 895138

Stephen Stamp, Group Finance Director

Stephen Jolly, Group Communications Adviser

Financial Dynamics

David Yates/Richard Mountain

Tel: +44 20 7269 7116

THE "SAFE HARBOR" STATEMENT UNDER THE US 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 Annual Report Form 20-F filed with the Securities and Exchange Commission.

Results of operations

Review of first quarter 2002

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 compared with new centres:

(in £millions, except workstations)

	2001			2002		
	Revenue	Centre Contribution	Workstations (re-based)*	Revenue	Centre Contribution	Workstations
UK & Ireland	59.2	21.6	23,299	44.1	7.9	26,600
Rest of Europe	39.5	10.7	22,258	33.7	2.3	30,217
Americas	30.7	5.4	16,632	25.4	(4.7)	23,979
Rest of World	8.5	0.6	5,038	7.5	0.2	5,960
	<u>137.9</u>	<u>38.3</u>	<u>67,227</u>	<u>110.7</u>	<u>5.7</u>	<u>86,756</u>
Established centres**	88.7	31.9	37,064	83.4	14.0	58,017
New centres	<u>49.2</u>	<u>6.4</u>	<u>30,163</u>	<u>27.3</u>	<u>(8.3)</u>	<u>28,739</u>
	<u>137.9</u>	<u>38.3</u>	<u>67,227</u>	<u>110.7</u>	<u>5.7</u>	<u>86,756</u>

* At 1 January 2002 a complete review of workstation capacity was carried out. The number of workstations in our centres increased by 2,212 and the 2001 comparatives have been updated from those previously reported to reflect the re-basing exercise.

**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 was £110.7 million in the first quarter 2002 (£137.9 million in the first quarter 2001). The weighted average number of available workstations increased 29% to 86,756 from 67,227 (re-based) over the same period. In the first quarter 2002, Regus opened 5 new centres including one joint venture centre. Two centres were closed.

Revenue from established centres was £83.4 million in the first quarter 2002 (2001: £88.7 million). Revenue per workstation in Regus' established centres was £1,438 (2001: £2,393) reflecting lower occupancy rates and the impact of the new pricing model. Revenue from new centres was £27.3 million (2001: £49.2 million). Revenue per workstation in Regus' new centres was £950 (2001: £1,631).

Revenue in the *UK and Ireland* was £44.1 million (2001: £59.2 million). Revenue per workstation was £1,658 (2000: £2,541). In the first quarter 2002 one centre was closed in the UK.

Revenue in the *Rest of Europe* was £33.7 million (2001: £39.5 million). Revenue per workstation was £1,115 (2001: £1,775). In the first quarter 2002, three new centres were added and one closed in the Rest of Europe.

Revenue in the *Americas* was £25.4 million (2001: £30.7 million). Revenue per workstation was £1,059 (2001: £1,846). Regus opened one new joint venture centre in the US in the quarter.

Revenue in the *Rest of the World* was £7.5 million (2001: £8.5 million). Revenue per workstation was £1,258 (2000: £1,687). One new centre was opened in the quarter in South Africa.

Centre contribution

Centre contribution on a global basis was £5.7 million in the first quarter 2002 (2001: £38.3 million). Approximately 40% of the fall in centre contribution was attributable to the UK & Ireland with the balance split between the Americas and Europe. Centre contribution from established centres was £14.0 million (2001: £31.9 million) with a centre contribution margin in established centres of 17% (2001: 36%). Centre contribution from new centres was a negative £8.3 million (2001: positive £6.4 million).

Centre contribution in the *UK and Ireland* was £7.9 million (2001: £21.6 million). Centre contribution margin was 18% in the first quarter (2001: 36%).

In the *Rest of Europe*, centre contribution was £2.3 million (2001: £10.7 million). Centre contribution margin in the Rest of Europe was 7% in the first quarter (2001: 27%).

Centre contribution from the *Americas* was a negative £4.7 million compared with a positive £5.4 million in 2001.

Centre contribution in the *Rest of the World* was £0.2 million (2001: £0.6 million). Centre contribution margin in the Rest of the World was 3% in the first quarter (2001: 7%).

Administrative expenses

Administrative expenses including goodwill amortisation decreased 54% to £13.8 million (2001: £29.8 million) due to the effects of the cost reduction programme. Overall, administrative expenses fell to 12% as a percentage of revenues compared to 21% in the first quarter of 2001. Sales and marketing costs decreased 43% to £8.2 million (2001: £14.4 million) and fell as a percentage of revenue to 7% (2001: 10%). Regional and central overheads decreased 63% to £5.6 million (2001: £15.4 million) and fell as a percentage of revenue to 5% (2000: 11%).

Liquidity and capital resources

Cash at bank and in hand at 31 March 2002 was £104.6 million. Total indebtedness at 31 March 2002 was £41.9 million, which included £36.0 million on the convertible debentures issued in December 2001. The Group also had outstanding finance lease obligations of £34.3 million.

Cash inflow from operating activities in the three months ended 31 March 2002 was £2.9 million. Net cash outflow before financing was £4.3 million after paying tax of £1.4 million, interest (net) of £0.5 million and capital expenditure of £4.6 million in the quarter. A further £0.7 million was invested in joint ventures.

In March the Group made the first of ten equal monthly repayments of £4 million against the 5 per cent unsecured, senior convertible debentures issued in December 2001. At the Company's option, the debentures may be either redeemed for cash or converted at 95 per cent of the average share price subject to any floor price the Company may specify. Since the quarter end further repayments of £4 million each have been made in April and May.

Regus plc
Consolidated profit and loss account
For the 3 months ended 31 March 2002 and 31 March 2001

	3 months ended 31 Mar 2002 (unaudited) £'000	3 months ended 31 Mar 2001 (unaudited) £'000
Turnover (including share of joint ventures)	113,199	141,183
Less: Share of turnover of joint ventures	(2,473)	(3,264)
Turnover	<u>110,726</u>	<u>137,919</u>
Cost of sales (centre costs)	(104,979)	(99,599)
Gross profit (centre contribution)	<u>5,747</u>	<u>38,320</u>
Administration expenses	(13,787)	(29,759)
Group operating (loss)/profit	<u>(8,040)</u>	<u>8,561</u>
Share of operating loss in joint ventures	(1,902)	(959)
Total operating (loss)/profit: Group and share of joint ventures	<u>(9,942)</u>	<u>7,602</u>
Net interest (payable)/receivable		
- Group	(1,655)	908
- Joint ventures	(87)	(61)
(Loss)/profit on ordinary activities before tax	<u>(11,684)</u>	<u>8,449</u>
Tax on (loss)/profit on ordinary activities	(3,750)	(3,979)
(Loss)/profit on ordinary activities after tax	<u>(15,434)</u>	<u>4,470</u>
Minority interests (equity)	366	155
Retained (loss)/profit for the period	<u><u>(15,068)</u></u>	<u><u>4,625</u></u>
(Loss) / earnings per ordinary share:		
Basic (p)	(2.7)	0.8
Diluted (p)	(2.7)	0.8

All results arose from continuing operations

Regus plc
Consolidated balance sheets
As at 31 March 2002 and 31 December 2001

	As at 31 Mar 2002 (unaudited) £'000	As at 31 Dec 2001 (audited) £'000
Fixed assets		
Intangible assets	4,264	4,307
Tangible assets	232,274	242,299
Investments		
Investments in own shares	3,805	3,805
Other investments	33	33
Interest in joint ventures:		
Share of gross assets	-	15,656
Share of gross liabilities	-	(14,562)
	-	1,094
Total investments	<u>3,838</u>	<u>4,932</u>
	<u>240,376</u>	<u>251,538</u>
Current assets		
Stock	392	392
Debtors: amounts falling due within one year	112,674	114,288
Debtors: amounts falling due after one year	3,000	3,000
Cash at bank and in hand	104,577	117,074
	<u>220,643</u>	<u>234,754</u>
Creditors: amounts falling due within one year (including convertible debt)	(338,530)	(344,392)
Provision for deficit on joint ventures		
Share of gross assets	15,646	-
Share of gross liabilities	(15,750)	-
	(104)	-
Provisions for liabilities and charges due within one year	(18,431)	(19,953)
Net current liabilities	<u>(136,422)</u>	<u>(129,591)</u>
Total assets less current liabilities	<u>103,954</u>	<u>121,947</u>
Creditors: amounts falling due after more than one year	(22,893)	(24,806)
Provisions for liabilities and charges due after more than one year	(4,941)	(8,349)
Net assets	<u><u>76,120</u></u>	<u><u>88,792</u></u>
Capital and reserves		
Called up share capital	29,106	29,106
Share premium account	279,763	279,765
Other reserves	6,471	4,056
Profit and loss account	(239,806)	(224,482)
Equity shareholders' funds	<u>75,534</u>	<u>88,445</u>
Equity minority interests	586	347
	<u><u>76,120</u></u>	<u><u>88,792</u></u>

Regus plc
Consolidated cash flow statement
For the three months ended 31 March 2002 and 31 March 2001

	3 months ended 31 Mar 02 (unaudited) £'000	3 months ended 31 Mar 01 (unaudited) £'000
Cash inflow from continuing operating activities		
Net cash inflow	<u>2,869</u>	<u>3,722</u>
Returns on investments and servicing of finance		
Interest received	720	1,723
Interest paid	(450)	(883)
Interest paid on finance leases	(752)	(789)
	<u>(482)</u>	<u>51</u>
Taxation		
Tax paid	(1,352)	(590)
	<u>(1,352)</u>	<u>(590)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,592)	(26,472)
Sale of tangible fixed assets	1	100
	<u>(4,591)</u>	<u>(26,372)</u>
Acquisitions and disposals		
Investments in joint ventures	(745)	(529)
	<u>(745)</u>	<u>(529)</u>
Cash outflow before management of liquid resources and financing	(4,301)	(23,718)
Management of liquid resources	44,993	35,264
Financing	(6,899)	(3,986)
Increase in cash in the period	<u><u>33,793</u></u>	<u><u>7,560</u></u>

Regus plc
Statement of total recognised gains and losses
For the three months ended 31 March 2002 and twelve months ended 31
December 2001

	3 months ended 31 Mar 2002 (unaudited) £'000	12 months ended 31 Dec 2001 (audited) £'000
Retained loss for the financial period	(15,068)	(118,238)
Currency translation differences	(293)	197
Total recognised losses for the period	<u>(15,361)</u>	<u>(118,041)</u>

Reconciliation of movements in consolidated shareholders' funds

	3 months ended 31 Mar 2002 (unaudited) £'000	12 months ended 31 Dec 2001 (audited) £'000
Retained loss for the financial period	(15,068)	(118,238)
Ordinary shares issued net of issue costs	-	3,396
Currency translation differences	(293)	197
Reclassification of fair value of warrants to non-distributable reserves	2,450	-
Decrease in shareholders' funds	<u>(12,911)</u>	<u>(114,645)</u>
Shareholders' funds at 1 January	88,445	203,090
Shareholders' funds at period end	<u>75,534</u>	<u>88,445</u>

Notes

1. Segmental reporting

Turnover:

	3 months ended 31 March	
	2002 (unaudited) £'000	2001 (unaudited) £'000
UK & Ireland	45,029	59,424
Rest of Europe	33,685	39,480
Americas	27,015	33,791
Rest of World	7,470	8,488
	<u>113,199</u>	<u>141,183</u>
Total Group	110,726	137,919
Total joint ventures	2,473	3,264

(Loss)/profit before interest and tax:

	3 months ended 31 March	
	2002 (unaudited) £'000	2001 (unaudited) £'000
UK & Ireland	4,583	14,662
Rest of Europe	672	1,550
Americas	(9,720)	(5,092)
Rest of World	(589)	(2,090)
Other office costs	(4,888)	(1,428)
	<u>(9,942)</u>	<u>7,602</u>
Total Group	(8,040)	8,561
Total joint ventures	(1,902)	(959)

2. (Loss)/profit per share

(Loss)/profit per share is based on losses for the three months ended 31 March 2002 of £(15,068,000) and profits for the three months ended 31 March 2001 of £4,625,000 using the following weighted average numbers of shares:

	3 months ended 31 March	
	2002 000's	2001 000's
Ordinary shares – basic	563,998	562,556
Ordinary shares – fully diluted	563,998	576,131

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

	3 months ended 31 Mar 02 (unaudited) £'000	3 months ended 31 Mar 01 (unaudited) £'000
Continuing operations		
Operating (loss)/profit	(8,040)	8,561
Depreciation charge	15,231	13,939
Goodwill amortisation	60	-
Loss/(profit) on disposal of fixed assets	314	(2)
(Decrease) in provisions	(5,109)	-
Decrease/(increase) in stocks	1	(17)
Decrease/(increase) in debtors	1,430	(20,333)
(Decrease)/increase in creditors	(1,018)	1,574
Net cash inflow from continuing operations	<u><u>2,869</u></u>	<u><u>3,722</u></u>

The cash inflow for 2002 includes a £6.0 million outflow relating to the exceptional item charged during the previous year.

3. (b) Financing and management of liquid resources

	3 months ended 31 Mar 02 (unaudited) £'000	3 months ended 31 Mar 01 (unaudited) £'000
Management of liquid resources		
New cash deposits	(9,518)	(2,805)
Repayment of cash deposits	54,511	38,069
	<u><u>44,993</u></u>	<u><u>35,264</u></u>
Financing		
New loans	836	1,541
Repayment of loans	(4,309)	(1,184)
Payment of principal under finance leases	(4,038)	(4,274)
Funding from minority interest	612	-
Issue costs	-	(69)
	<u><u>(6,899)</u></u>	<u><u>(3,986)</u></u>

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

	3 months ended 31 Mar 02 (unaudited) £'000	3 months ended 31 Mar 01 (unaudited) £'000
Increase in cash in the period	33,793	7,560
Cash outflow from change in borrowings and finance leases	7,511	3,917
Cash (inflow) from change in liquid resources	(44,993)	(35,264)
Change in net funds/borrowings from cash flows	(3,689)	(23,787)
Other non-cash items:		
New finance leases	(93)	(12,567)
Un-amortised warrants reserve	1,357	-
Translation difference	(207)	(1,462)
Movement in net funds/borrowings in the period	(2,632)	(37,816)
Net funds at 1 January	31,029	130,013
Net funds at 31 March	28,397	92,197

3. (d) Analysis of changes in net funds

	At 1 Jan 2002 £'000	Cashflow £'000	Non-cash changes £'000	Exchange movement £'000	At 31 March 2002 £'000
Cash at the bank and in hand	24,247	32,365	-	150	56,762
Overdrafts	(2,781)	1,428	-	(32)	(1,385)
	21,466	33,793	-	118	55,377
Debt due after 1 year	(1,330)	(811)	3	11	(2,127)
Debt due within 1 year	(43,961)	4,284	1,354	(26)	(38,348)
Finance leases due after 1 year	(23,064)	2,872	9	(195)	(20,378)
Finance leases due within 1 year	(14,909)	1,166	(102)	(97)	(13,942)
	(83,264)	7,511	1,264	(307)	(74,795)
Liquid resources	92,827	(44,993)	-	(18)	47,815
	31,029	(3,689)	1,264	(207)	28,397

Liquid Resources at 31 March 2002 include cash held on deposit of which £2.9 million (December 2001: £3.2 million) relates to collateral against bank loans and £33.9 million (December 2001: £28.4 million) relates to deposits which are held by banks as security for the issuance of bank guarantees to support lease commitments by Regus operating companies. These amounts are blocked and are not available for use by the business.

Non-cash changes comprise new finance leases, reclassifications between categories and the balance of the warrants reserve after amortisation based on a constant rate of return on the outstanding balance. At 31 March the warrant reserve is £2,450,000 of which £1,093,000 has been charged to the profit and loss account.

4. US GAAP reconciliation

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

Net loss:

	3 months ended 31 March	
	2002 (unaudited) £'000	2001 (unaudited) £'000
Net loss reported in accordance with UK GAAP	(15,068)	4,625
US GAAP adjustments:		
Franchise revenue recognition	(153)	-
Compensation expense related to other variable plan options	(268)	875
Provision for closure costs	(5,110)	-
Deferred taxes	46	131
Goodwill amortisation	60	-
Net (loss)/profit in accordance with US GAAP	<u>(20,493)</u>	<u>5,631</u>

Shareholders' funds:

	As at 31 March 2002 (unaudited) £'000	As at 31 December 2001 (audited) £'000
Shareholders' funds in accordance with UK GAAP	75,534	88,445
US GAAP adjustments		
Franchise revenue recognition	(835)	(682)
Compensation expense related to other variable plan options	589	595
Provision for closure costs	22,516	27,446
Deferred taxes	7,387	7,341
Employee share trust (investment in own shares)	(3,805)	(3,805)
Goodwill amortisation	60	-
Shareholders' funds in accordance with US GAAP	<u>101,446</u>	<u>119,340</u>

5. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts. The financial information for 2001 is derived from the statutory accounts for the year which have been delivered to the Registrar of companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.