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PRESS RELEASE

PRELIMINARY RESULTS TO 31 DECEMBER 2003

Chertsey, UK, 29 March, Regus Group plc (LSE: RGU), the global office outsourcer, announces its preliminary results for the 12 months ended 31 December 2003.

Regus Group made strong progress in 2003. There was a marked improvement in trading in the fourth quarter - after tough conditions in the early part of the year.

Going into 2004, trading has continued to improve. Inquiry levels rose 28 per cent in January and February compared with the same period of 2003. Prices for new workstation sales and renewals were up 6.1 per cent on the average for the fourth quarter of 2003. Revenues in February were up 5.4 per cent on January and we expect further growth in March.

As a result, Regus Group now finds itself in a significantly better position than at any time in the past two years. The Group moved closer to profitability in 2003 and is now benefiting from rising global occupancy, a strengthened balance sheet, minimal debt and a record forward order book.

In terms of 2003 business performance, the Group's corporate outsourcing teams performed particularly well during the year. The number of government and public sector contracts increased. Unilever, Black & Decker, Dell, ABN Amro, and Citigroup were just a few of the major global brands that signed up with Regus during the period. Such business is clearly part of a growing trend among corporates to outsource their property requirements.

The Group's meeting room business also saw impressive growth and this was best illustrated by the landmark deal closed with IBM to provide their people with meeting rooms across 15 European countries.

In the year to 31 December 2003, Group revenues (excluding the UK business) were £256.6 million (2002: £266.5 million), EBITDA before exceptionals was £3.8 million (2002: loss of £22.9 million) and EBIT loss was £24.8 million (2002: loss of £129.4 million). On an underlying basis, before exceptional and non-trading items, we saw losses decreasing steadily over the course of the year.

During 2003, Regus Group re-organised its US business. This reorganisation - which involved use of Chapter 11 creditor protection - was completed in less than 12 months. As a result of these efforts, the Group's overall fixed costs - as well as its variable costs - are now under strict control. The US is a key market for the Group and there are clear signs that conditions there are improving. Accordingly, Regus Group CEO Mark Dixon has relocated to the US to oversee future developments in this key market.

The Group strengthened its financial position after it raised £54.8 million through a fully subscribed rights issue in December 2003. At the same time, as part of its re-organisation in the US, a new holding company for the group, Regus Group plc, was formally admitted to trading on the London Stock Exchange. This replaced Regus plc.

Regus Group Chairman John Matthews commented: "Regus is well placed to benefit from the improved trading conditions that we are now beginning to see. The current year has started encouragingly, benefiting from rising occupancy and demand and our objective during the coming year is to drive top-line revenue growth, with a particular focus on the corporate outsourcing market. With costs firmly under control, we are committed to delivering sustainable profits."

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THE "SAFE HARBOUR" STATEMENT UNDER THE US PRIVATE SECURITIES REFORM ACT OF 1995

This release contains statements concerning the Group's business, financial condition, results of operations and certain of the Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. These statements are intended as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: the Group's future cash flow position, the Group's cost reduction programme, expectations regarding sales, trading profit and growth, the Group's possible or assumed future results of operations and/or those of the Group's associates and joint ventures, capital expenditure, adequacy of capital and liquidity, financing plans, and those preceded by, followed by, or that included the words "believe", "expect", "intend", "plan", "anticipate" or similar expressions.

The Company cautions that any forward-looking statements in this release may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this press release, including, without limitation, changes in the Company's business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. These factors include, among other things, the nature of the serviced office market, the long-term nature of the Company's lease commitments, its financing requirements, foreign exchange, risks of litigation, and other risks and uncertainties described in the Company's filings with the Securities and Exchange Commission.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2003 or 2002 but is derived from those accounts. Statutory accounts for 2002 have been delivered to the registrar of companies, and those for 2003 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

REVIEW OF YEAR 2003

Summary

In the year to 31 December 2003, Group revenues (excluding the UK business) were £256.6 million (2002: £266.5 million), EBITDA before exceptionals was £3.8 million (2002: loss of £22.9 million) and EBIT loss was £24.8 million (2002: loss of £129.4 million). On an underlying basis, before exceptional and non-trading items, we saw losses decreasing steadily over the course of the year.

Group profit and loss

The Group recorded an operating loss before accounting for joint ventures, associates and exceptionals of £21.8 million in 2003 compared with £54.5 million in 2002. Exceptional items of £6.4 million in 2003 (2002: £92.9 million) relate to costs incurred on the Chapter 11 proceedings and Scheme of Arrangement. Group operating losses before exceptional items at £21.8 million in 2003 were £32.7 million lower than 2002. The 2003 loss before interest and tax of £24.8 million (2002: loss of £129.4 million) includes £6.7 million net profit on disposal of the controlling interest in the UK business and a £0.7 million net profit from the sale of own shares held by the Employee Benefit Trust.

No dividend was paid during the year and the Board has not recommended the payment of any final dividend.

Group revenue

Following the disposal of the controlling interest in the UK business, the Group is now managed under three regions, EMEA (Europe, Middle East and Africa), Americas and Asia Pacific. The following table presents a regional analysis of the Group's revenue, centre contribution before exceptional items and available workstations. 2002 has been restated to show the results on a comparable basis.

	2003			2002-RESTATED		
	Revenue	Contribution*	Workstations	Revenue	Contribution*	Workstations
	(in £ millions, except workstations)					
EMEA+	148.4	12.2	30,831	149.2	10.4	33,034
Americas	80.2	(2.5)	20,525	91.7	(19.6)	23,898
Asia Pacific	24.2	3.4	4,262	25.6	2.6	4,296
Total ex UK	252.8	13.1	55,618	266.5	(6.6)	61,228
UK++	3.8	3.8	-	169.1	28.9	26,266
Total	256.6	16.9	55,618	435.6	22.3	87,494

* Gross profit/(loss) before exceptional cost of sales

+ Europe (excluding UK), Middle East and Africa

++ A controlling interest in Regus Holdings (UK) Limited was sold on 31 December 2002. Revenue in 2003 relates to management fees

Group revenue (excluding the UK and for 2003 excluding management fees received from the UK business) of £252.8 million was £13.7m, or 5%, lower than in 2002, primarily due to currency fluctuations and the closure of unprofitable centres principally in the USA. The weakening of the US dollar has adversely impacted our USA dollar denominated revenues, which account for approximately 30% of the Group's turnover. At constant currencies, the EMEA region maintained revenues at 2002 levels, despite the closure of centres that resulted in a 7% reduction in workstation capacity.

Centre closures reduced available workstations by 9% to 55,618 (2002: 61,228). This reduction in capacity helped improve occupancy by 6 percentage points to 63%. Occupancy in the USA, our largest country, improved by over 15% from 2002 and reported a 78% occupancy for the month of December (December 2002: 60%). In addition to the 3,373 workstation reduction in the Americas, management was successful in exiting committed capacity that would otherwise have increased volume by a further 5,500 workstations.

Centre contribution

Centre contribution was £16.9 million (2002: loss of £64.4 million) which included no exceptional items in 2003 (2002: £57.8 million). Centre contribution before exceptional items improved by £19.7 million to £13.1 million (2002: £6.6 million loss) mainly due to the renegotiation of fixed costs in the USA and some European locations. Centre contribution per occupied workstation reported a marked improvement in the Americas and Asia Pacific but a marginal decline in Europe due to lower occupancy in some of our smaller markets.

Exceptional items

Exceptional items of £6.4 million (2002: £92.9 million) relate to professional fees incurred in connection with the Chapter 11 proceedings and the Scheme of Arrangement. The 2002 charge of £92.9 million includes costs relating to onerous leases (£55.1 million), impairment of tangible fixed assets (£36.9 million), impairment of goodwill (£4.0 million) and cost related to aborted business disposals (£0.7 million), offset by a business interruption insurance receipt (£3.8 million).

Profit on sale of Group undertakings

In the first half of 2003, the Group received a net £6.7 million of deferred consideration from Alchemy partners in respect of the UK business. This amount was excluded from the 2002 financial statements on the basis that the amount was contingent on the audit of the completion accounts.

Net interest payable

The £0.6 million reduction in net interest payable to £4.4 million (2002: £5.0 million) was partly due to the repayment of a £40.0 million 5% convertible bond during 2002 offset by an £0.7 million increase in finance lease interest following the extension of payment periods in the US. Interest income reduced by £1.1 million to £0.8 million (2002: £1.9 million) due to lower average cash balances throughout the year as compared to 2002.

Tax on loss on ordinary activities

The tax credit of £2.1 million consists of a current tax credit of £0.6 million, a credit in respect of the deferred tax asset of £2.0 million and a share of the deferred tax charge in the UK business of £0.5 million.

Most of Regus' operating companies have tax losses available to carry forward against future profits. In some countries, there are time restrictions on the carry forward of such losses. In accordance with FRS19, the deferred tax recognised with respect to these losses is £2.6 million.

UK business

In December 2002, the Group sold 58% of its UK business to Alchemy Partners for £29.7million, including net deferred consideration of £6.7million received in the first half of 2003. The UK business accounted for 39% of the Group's turnover in 2002. The sale of this controlling interest has changed the status of this UK entity from a 100% fully consolidated subsidiary to an associate accounted for under the equity method of accounting. The disposal has distorted the comparable results for 2002. The comparatives have therefore been adjusted to aid comparison.

Chapter 11 proceedings

On 14 January 2003, Regus Business Centre Corp (principally as tenant to most of the US leases), Regus plc and Regus Business Centre BV filed voluntary petitions for bankruptcy relief under Chapter 11 in the US Bankruptcy Court.

These companies filed for bankruptcy because the Chapter 11 process offered the best available means to facilitate the implementation of necessary changes to the US business to bring costs and operations in line with the current business environment. In addition, the protections available under the Chapter 11 process offered access to capital through debtor-in-possession financing (akin to a working capital facility) that otherwise would not have been available.

In order to exit Chapter 11 successfully, it was necessary to obtain the approval and confirmation by the Bankruptcy Court of the Plan of Reorganisation. This occurred on 12 November 2003 and the Plan then became effective on 12 January 2004, following cash payments to creditors in settlement of their claims, the bulk of which were made up of general unsecured claims of approximately £19.6 million (US\$35.0 million) and preferred claims of approximately £2.2 million (US\$4.0 million). In addition, Regus restructured the leases of its joint venture in the US with Equity Office Properties and issued loan stock in return. This was redeemed at a cost of £6.0 million (US\$10.7 million). The cost of the process in terms of professional fees incurred was £4.5 million (US\$8.0 million). No dilution of the interests of Regus shareholders took place directly as a result of the implementation of the Plan.

As a result of the Chapter 11 process, the cost base of our US business has been significantly reduced. With a strengthening US economy and major reorganisation behind us the business is well positioned to benefit from a sustained upturn.

At the time of exiting Chapter 11, the Regus group of companies was reorganised by putting in place a new holding company by way of a Court approved Scheme of Arrangement.

Rights issue

On 13 November 2003, a £54.8 million rights issue was announced. One new share was issued by way of rights for 3 existing shares and the issue was fully subscribed. The offer closed on 29 December 2003. Under the rights issue, 195.9 million shares were issued at 28 pence per share, raising £54.8 million before issue costs of £1.8 million. The primary reason for the rights issue was to raise funds to repay the Chapter 11 creditors who under the agreed Plan of Reorganisation were due to be paid £27.8 million (US\$49.7 million) on 12 January 2004. The remainder is available for working capital purposes.

Liquidity and capital resources

At 31 December 2003, Regus had cash at bank and in hand of £85.0 million (2002: £58.6 million) of which £17.2 million (2002: £28.7 million) represents deposits held as security for the issuance of bank guarantees. £49.9 million of cash raised through the rights issue was received on 30 December and used in part to settle Chapter 11

liability claims of £27.8 million (US\$49.7 million) on 12 January 2004. Surplus funds raised from the rights issue will support the working capital requirements of the Group.

Indebtedness (excluding finance leases) at 31 December 2003 of £9.2 million (2002: £11.0 million) includes a £5.0 million loan from Regus UK (2002: £5.0 million). Finance lease obligations outstanding at 31 December 2003 amounted to £17.7 million (2002: £25.2 million), of which £6.7 million is due within one year.

Operating cash outflow before exceptional items was £8.8 million in 2003 compared to a cash inflow of £5.8 million in 2002. The reduction in 2003 is due to the exclusion of the UK business, which generated cash in 2002.

Net cash outflow before management of liquid resources and financing for the year was £17.1 million (2002: £16.9 million) following receipt of £6.7 million deferred consideration, tax payments of £2.0 million, net interest payments of £4.3 million, net capital expenditure of £1.4 million and investments in joint ventures of £0.4 million.

At 31 December 2003, net funds increased by £35.7 million to £58.1 million.

Excluding the receipt in the year of the deferred consideration from the sale of the UK business (£6.7 million) and funds raised from the rights issue (£49.9 million net of expenses) the Group recorded a cash outflow in 2003 of £21.2 million. Receipt of the majority of the rights issue funds on 30 December, 2003 improved net current assets to £14.1 million, and strengthened the balance sheet to a net asset position. The rights issue funds were in part used to settle Chapter 11 creditor claims of £27.8 million (US\$49.7 million) in January 2004. The balance of the rights issue funds of £25.2 million supports the working capital requirements of the Group.

Current indications show the Group has reached cash breakeven and is expected to be cash generative in the near future. On this basis, we believe the Group has sufficient cash resources to fund its operations for the foreseeable future.

Regus Group plc
Consolidated profit & loss account
For the year ended 31 December 2003

	31 Dec 2003	31 Dec 2002		
		Excluding UK	UK	
	£ '000	£ '000	£ '000	£ '000
Turnover (including share of joint ventures and associate)	324,904	272,888	172,519	445,407
Less: share of turnover of joint ventures	(5,501)	(6,370)	(3,433)	(9,803)
Less: share of turnover of associate	(62,822)	-	-	-
Group turnover	256,581	266,518	169,086	435,604
Cost of sales (centre costs) before exceptional items	(239,683)	(273,143)	(140,196)	(413,339)
Exceptional cost of sales	-	(57,777)	805	(56,972)
Cost of sales (centre costs) after exceptional items	(239,683)	(330,920)	(139,391)	(470,311)
Gross profit/(loss) (centre contribution)	16,898	(64,402)	29,695	(34,707)
Administration expenses before exceptional items	(38,736)	(47,927)	(13,149)	(61,076)
Exceptional administration expenses	(6,355)	(35,096)	-	(35,096)
Administration expenses after exceptional items	(45,091)	(83,023)	(13,149)	(96,172)
Group operating (loss)/profit	(28,193)	(147,425)	16,546	(130,879)
Share of operating loss in - joint ventures	(213)	(4,724)	(773)	(5,497)
- associates	(3,722)	-	-	-
Total operating (loss)/profit: group and share of joint ventures	(32,128)	(152,149)	15,773	(136,376)
Profit on sale of group undertakings	6,585	22,716	-	22,716
Profit on sale of own shares	708	-	-	-
(Loss)/profit on ordinary activities before interest	(24,835)	(129,433)	15,773	(113,660)
Net interest payable and other similar charges	(4,397)	(4,989)	(415)	(5,404)
(Loss)/profit on ordinary activities before tax	(29,232)	(134,422)	15,358	(119,064)
Tax credit/(charge) on (loss)/profit on ordinary activities	2,068	12,786	(18,266)	(5,480)
Loss on ordinary activities after tax	(27,164)	(121,636)	(2,908)	(124,544)
Equity minority interests	885	1,145	-	1,145
Retained loss for the financial year	(26,279)	(120,491)	(2,908)	(123,399)
Loss per ordinary share:				
Basic and diluted (p)	(4.6)	(21.4)	(0.5)	(21.9)
Basic and diluted before exceptional items, business disposals and sale of own shares (p)	(4.7)	(8.9)	(0.7)	(9.6)

All results arose from continuing operations.

Regus Group plc
Balance sheets
as at 31 December 2003

	Group 31 Dec 2003 £ '000	Group 31 Dec 2002 £ '000 <i>Restated *</i>	Company 31 Dec 2003 £ '000
Fixed assets			
Intangible assets	-	-	-
Tangible assets	67,136	93,772	-
Investments			
Investments in subsidiaries	-	-	29,256
Investment in own shares	847	3,805	-
Investment in associates	8,361	12,458	-
Other investments	5	29	-
	76,349	110,064	29,256
Current assets			
Stock	144	293	-
Debtors: amounts falling due after more than one year	873	-	-
Debtors: amounts falling due within one year	62,290	59,025	4,651
Cash at bank and in hand	85,001	58,610	50,163
	148,308	117,928	54,814
Creditors: amounts falling due within one year	(134,189)	(149,253)	(414)
Net current assets/(liabilities)	14,119	(31,325)	54,400
Total assets less current liabilities	90,468	78,739	83,656
Creditors: amounts falling due after more than one year	(34,190)	(48,506)	-
Provision for deficit on joint ventures			
Share of gross assets	5,076	8,630	-
Share of gross liabilities	(6,073)	(10,253)	-
	(997)	(1,623)	-
Provisions for liabilities and charges	(52,554)	(57,242)	-
Net assets/(liabilities)	2,727	(28,632)	83,656
Capital and reserves			
Called up share capital	39,442	29,110	39,442
Share premium account	44,364	-	44,364
Other reserves	(22,711)	286,273	-
Profit and loss account	(57,292)	(343,775)	(150)
Shareholders' funds/(deficit)	3,803	(28,392)	83,656
Equity minority interests	(1,076)	(240)	-
	2,727	(28,632)	83,656

Shareholders' funds includes amounts relating to both equity and non-equity

*The creditor balances as at 31 December 2002 have been restated to better reflect the ageing of the rent accruals.

Regus Group plc
Consolidated cash flow statement
For the year ended 31 December 2003

	31 Dec 2003	31 Dec 2002
	£ '000	£ '000
Cash outflow from continuing operating activities		
Net cash (outflow)/inflow before exceptional items	(8,777)	5,820
Outflow related to exceptional items	<u>(5,868)</u>	<u>(16,603)</u>
Net cash outflow from continuing operating activities	<u>(14,645)</u>	<u>(10,783)</u>
Returns on investments and servicing of finance		
Interest received	797	1,901
Interest paid	(1,750)	(2,051)
Interest paid on finance leases	(3,350)	(2,637)
	<u>(4,303)</u>	<u>(2,787)</u>
Taxation		
Tax paid	(1,951)	(4,077)
	<u>(1,951)</u>	<u>(4,077)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(8,445)	(15,274)
Sale of tangible fixed assets	3,345	557
Sale of own shares	3,689	-
	<u>(1,411)</u>	<u>(14,717)</u>
Acquisitions and disposals		
Cash disposed with German subsidiary	(1,137)	-
Sale of subsidiary undertakings	6,695	16,236
Investment in joint ventures	(412)	(743)
Cash acquired with subsidiary	53	-
	<u>5,199</u>	<u>15,493</u>
Cash outflow before management of liquid resources and financing	(17,111)	(16,871)
Management of liquid resources	8,511	55,426
Financing	43,950	(32,276)
Increase in cash in the year	<u>35,350</u>	<u>6,279</u>