26 August 2014

REGUS PLC – INTERIM RESULTS ANNOUNCEMENT – SIX MONTHS ENDED 30 JUNE 2014

Impressive network expansion and strong returns achieved through continued disciplined execution

Regus, the global workplace provider, today announces its half year results for the six months ended 30 June 2014.

£m	H1 2014	H1 2013	% change (actual currency)	% change (constant currency)
Group				
Revenue	804.7	744.7	8.1%	16.9%
Gross profit	178.8	180.6	(1)%	8%
Gross margin	*22.2%*	*24.3%*		
Operating profit	39.9	34.3	16%	41%
Operating margin	*5.0%*	*4.6%*		
Profit before tax	31.0	31.1	0%	23%
Earnings per share (p)	2.6	2.8	(7)%	17%
Dividend per share (p)	1.25	1.1	14%	
EBITDA	96.4	79.6	21%	37%
Mature*				
Revenue	647.5	682.5	(5.1)%	3.2%
Gross profit	175.8	176.1	0%	10%
Gross margin	*27.2%*	*25.8%*		
Operating profit	93.0	72.4	28%	44%
Operating margin	*14.4%*	*10.6%*		
Mature basic EPS (p)	7.6p	6.0p	27%	42%
Mature EBITDA	132.6	113.5	17%	30%
Mature free cash flow	71.8	53.8	33%	

*Centres opened on or before 31 December 2012

Strong financial performance at Group level

- Group revenue increased 16.9% at constant currency to £804.7m
- Operating profit rose by 41% at constant currency to £39.9m
- Total overheads (excluding R&D) as a % of sales reduced from 19.2% to 16.8%
- Net debt of £161.3m reflecting significant investment in growth
- Additional financing secured through issuance of £170m loan notes
- 14% increase in interim dividend to 1.25p (H1 2013: 1.1p), reflecting strong underlying performance and prospects

Mature Centres business remains revenue and profit engine for the Group

- Mature revenue growth of 3.2% at constant currency to £647.5m
- Gross margin improves to 27.2% underpinned by 2.3% increase at constant currency in revenue per occupied workstation (REVPOW) to £3,523
- Mature operating profit up 44% at constant currency to £93.0m.
- Economies of scale and overhead efficiencies driving an increase in mature operating margin to 14.4% (H1 2013: 10.6%)
- Strong cash generation, with mature free cash flow representing 7.6p per share (11.1% free cash flow margin)

Continue to invest in the business to ensure sustainable, long-term returns

- £148.5m invested in growth adding 194 new centres and three new countries, building on our successful investment history, with 2010 and 2011 centres earning post-tax returns of 25%
- Continued progress made with Third Place:
    - Landmark deal signed with Singapore Government
    - New Third Place locations opened in Heathrow and Gatwick airports
- Due to strong deal pipeline we now expect to open at least 450 business centres in 2014

Mark Dixon, Chief Executive of Regus, said:

"Regus has had a strong half year. We have grown our network at an impressive rate and improved earnings. Our Mature centres continue to deliver good returns and continue to convert earnings into cash. Our New centres are also progressing well.

The rapid pace of change within the world of work presents many opportunities for us to help businesses be more successful. We continue to find compelling opportunities to invest and generate returns well in excess of our cost of capital. These returns underpin our growth strategy and accordingly, given the scale of the opportunity and our ambition, we now plan to add at least 450 business centres in 2014. While this will lead to additional opening costs and initial operating losses which will impact the Group's full year results, we remain confident that our strategy to make significant investments this year will drive future revenue, profit and cash flow.

Overhead control remains a core focus for the Group and we are pleased with further progress in this area. We are constantly shaping our structure and processes to ensure this continues.

Overall, our underlying momentum is strong. We remain confident about the rest of the year, although our reported results will reflect the strength of sterling."

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Chief Executive's Review

Next month, we will celebrate our 25th anniversary. Whilst we have come a long way in our first quarter century, when we look at the potential for our business, these are still early days. In the last four years we have more than doubled the number of centres we have and continue to see significant opportunity for further profitable growth.

Group Income statement

Like many global businesses our results have been impacted by the significant strengthening of sterling over the last 12 months. Where sensible to do so we have highlighted the constant currency performance so as to give the most appropriate view of underlying business performance.

£m	H1 2014	H1 2013	% Change (actual currency)	% Change (constant currency)
Revenue	**804.7**	**744.7**	**8.1%**	**16.9%**
Gross profit (centre contribution)	**178.8**	**180.6**	**(1)%**	**8%**
Gross margin	*22.2%*	*24.3%*		
Operating profit	**39.9**	**34.3**	**16%**	**41%**
Operating margin	*5.0%*	*4.6%*		
Profit before tax	**31.0**	**31.1**	**0%**	**23%**
Taxation	(6.2)	(4.9)		
Profit for the period	**24.8**	**26.2**	**(5)%**	**18%**
EBITDA	**96.4**	**79.6**	**21%**	**37%**
EBITDA margin	*12.0%*	*10.7%*		

Looking at our financial and operational performance, Regus continues to deliver sustainable and profitable growth. Group revenue was up 16.9% at constant currency to £804.7m, up 8.1% at actual rates. Group operating profit improved by 41% at constant currency to £39.9m (H1 2013: £34.3m) and Group operating margin has increased from 4.6% to 5.0%

This performance is the result of continued strong customer demand, our focus on operational excellence and a tight grip on costs. Improvements to the latter have been especially pleasing with group overheads (excluding R&D) as a percentage of revenue down a further 2.4 percentage points to 16.8% (H1 2013: 19.2%).

For many years now there has been a structural shift happening in the way people are working – from predominantly fixed and static, office based activity to a way of working that is more flexible and dynamic and increasingly occurring away from the traditional office. This shift has been very much in our favour. The rising number of flexible workers (estimated by IDC to reach more than 1.3bn by 2015), and the businesses that employ them, seek ever more convenient, well equipped and cost effective places to work – whether as a drop-in point or a more regular place to work.

This strong base of demand enables us to make attractive returns from our existing centres. It also gives us confidence that we will earn similar returns from future openings as we continue to grow our business, adding in new cities and countries, as well as increasing our presence in existing ones. As always our approach to growth remains subject to our disciplined capital management methodology and the application of our stringent investment criteria.

Given this, we were very pleased with the many opportunities for growth which we have been able to find since the start of the year. In this six month period we invested £148.5m in growth (H1 2013: £167.4m), opening 194 new business centres. This included our 2,000th centre, in Boulder, Colorado. We also entered three new countries, namely Botswana, Bangladesh and Namibia, which brings our total number of countries to 103.

Given our success at finding good deals offering strong returns, we now plan to add at least 450 business centres in 2014.

As highlighted above, our growth ambition is always put in the context of a prudent, long- term approach to the balance sheet. We are committed to ensuring that the Group has sufficient headroom to execute its strategy while ensuring our debt and interest expense can be comfortably managed. To this end, in addition to the extension of our revolving credit facility in September 2013 by £120m to £320m, we also raised £170m via the issuance of loan notes during the first half, which was well supported by the investor base.

In the next section we review progress in the first half against our strategic objectives.

Progress against our strategic objectives

Improve profitability

Our Mature Centres business is the clearest indicator of underlying Group performance and has performed as expected during the first half. It remains highly cash generative and underpins our investment programme.

With strong demand and the graduation into our mature estate of centres opened in 2012, mature occupancy remained healthy at 82.0% (H1 2013: 81.1%) and we were able to achieve increases to REVPOW of 2.3% (£79) to £3,523 at constant currency rates, (down 6.0%, at actual rates). Accordingly, mature revenue increased 3.2% at constant currency (down 5.1% at actual rates) to £647.5m. Improvements to gross margin of 1.4 percentage points (from 25.8% to 27.2%) came from the drop through of incremental revenue and operational efficiencies at a centre level. This increased the centre contribution by 10% at constant currency to £175.8m (flat at actual rates).

Further efforts to control absolute overheads helped to increase the operating margin from 10.6% to 14.4%, improving operating profit by 44% at constant currency (28% at actual rates) to £93.0m (H1 2013: £72.4m). Mature EPS increased by 42% at constant currency rates to 7.6p (H1 2013: 6.0p) or 27% at actual rates.

The performance of our 2013 and 2014 new centres is developing in line with management's expectations, including the normal impact on Group profitability associated with new centres. We anticipate continued progression of these new centres in the second half.

Develop national networks

Driven by the returns we can achieve we are investing to grow the business. As this occurs we see the potential to generate additional revenue from the increasing number of businesses that will derive value from the convenience and flexibility of a larger national network. Over the first six months we invested £148.5m in growth, adding 194 new centres to increase the size of our network to 2,004 business centre locations, which included opening in three new countries: Botswana, Bangladesh and Namibia.

This growth led to an increase in total workstation capacity since 1 January 2014 (including non-consolidated) of 8.0% to 329,123 while the number of consolidated workstations increased by 7.9% to 315,857 workstations as at 30 June 2014. Over the period, customer numbers increased by more than 350,000 or 24% to 1.8m.

Building on the unique proposition of our national networks, we have made further progress in gaining new corporate customers. Notable new wins included Walmart, the John Lewis Partnership, Costain and Groupe Casino. We also deepened our relationship with many of our current customers including Google, Shire Pharmaceuticals and HSBC. We continue to build on our strategy to become an essential part of our corporate customers' portfolio of flexible working solutions.

Industry leading innovation

Investments in new product development and innovation have been important contributors to our success and leadership position. These are drivers of future revenue and margin growth and help maintain our competitive edge, as well as being part of our long standing commitment to our customers to provide appealing products and services. Over the period we raised investment in R&D by 34% to £4.3m (H1 2013: £3.2m).

Third Place remains an important part of our innovation agenda. Over the period we opened a number of new third place locations, taking our network to 101. New partners include the Singapore government and Heathrow and Gatwick airports. We also opened a number of locations within shopping centres owned and operated by British Land, including Meadowhall in Sheffield, UK. These new locations increase the overall network effect as well as drive awareness and understanding of our products and services.

Cost control

One of the attractive features of our business as we grow is our ability to leverage the benefits of scale. Over the period total Group overheads (excluding Research & Development) declined from £143.4m to £135.0m in the first half of 2014 compared with the equivalent period last year, (broadly flat at constant currency, down 6.0% at actual rates), representing a reduction from 19.2% of revenue to 16.8%. This performance reflects further management focus and underlying progress in respect of this key strategic objective.

Regional review

At constant currency all regions showed positive growth. On a regional basis, mature revenue and centre contribution can be analysed as follows:

	Mature revenue		Mature contribution		Mature margin (%)	
£m	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
Americas	284.9	308.1	82.7	87.2	29.0%	28.3%
EMEA	147.6	158.8	37.2	40.5	25.2%	25.5%
Asia Pacific	104.5	110.3	32.7	28.1	31.3%	25.5%
UK	109.8	104.4	24.8	20.7	22.6%	19.8%
Other	0.7	0.9	(1.6)	(0.4)	-	-
Total	**647.5**	**682.5**	**175.8**	**176.1**	**27.2%**	**25.8%**

AMERICAS

Our Americas business remains our largest region accounting for 44% of mature revenue. The 675 mature centres, from a portfolio of 903, delivered revenue up 2.7% year-on-year at constant currency rates to £284.9m, (down 7.5% at actual rates). Average mature occupancy remained healthy at 82.1% (H1 2013: 83.5%), while mature gross margins improved to 29.0% (H1 2013: 28.3%). In the first half 33 centres were added, which increased the number of period end workstations (including non-consolidated) by 1.5% from 130,488 to 132,382.

EMEA

Our EMEA business, which has 319 mature centres out of a total portfolio of 489, has delivered a stable performance. Mature occupancy increased to 81.2% (H1 2013: 80.9%), while mature revenue was broadly flat in the first half of 2014 at constant currency at £147.6m (down 7.1% at actual rates). The Mature gross margin was 25.2% (H1 2013: 25.5%). We added 46 centres in the first half which increased the number of period end workstations (including non-consolidated) by 11.9% from 62,367 to 69,773.

ASIA PACIFIC

Our Asia Pacific business has delivered a strong set of numbers. With 232 mature centres out of a total portfolio of 331, the region delivered mature revenue of £104.5m, up 7.9% on 2013 at constant currency rates (down 5.3% at actual rates) and achieved improved average mature occupancy of 81.1% (H1 2013: 74.6%). Mature gross margins improved to 31.3% (H1

2013: 25.5%). We added 40 centres in the first half which increased the number of period end workstations (including non-consolidated) by 11.0% from 53,559 to 59,445.

UK
Our UK business has continued its recent progress over the last few years, benefiting from further operational improvements. The mature business, which numbers 146 centres out of a total portfolio of 281, delivered revenue of £109.8m, up 5.2% on the corresponding period. Mature gross margins improved by 2.8 percentage points to 22.6% (H1 2013: 19.8%). Mature occupancy through the first half improved to 83.7% (H1 2013: 82.6%). We added 75 centres to the network in the first half, increasing the number of period end workstations (including non-consolidated) by 15.7% from 58,360 to 67,523.

Board development

On 20 May 2014 Mary R. "Nina" Henderson joined the board as a non-executive director. She has over 30 years of global experience across a wide range of sectors and functions and has served on the boards of several international and multinational corporations including Del Monte, AXA Financial, Royal Dutch Shell and Bestfoods. Her expertise includes cross-border operational management, M&A, strategy development and brand marketing. We look forward to Nina making a strong contribution to the business.

Dividend

In light of the strong underlying Group performance and in line with our progressive dividend policy, the Board has declared an increased interim dividend of 1.25p per share (H1 2013: 1.1p), up 14%. This will be paid on 3 October 2014 to shareholders on the register at the close of business on 5 September 2014.

Outlook

Regus has had a strong half year. We have grown our network at an impressive rate and improved earnings. Our Mature centres continue to deliver good returns and improve their cash generation. Our New centres are also performing well.

The rapid pace of change within the world of work presents many opportunities for us to help businesses be more successful. We continue to find compelling opportunities to invest and generate returns well in excess of our cost of capital. These returns underpin our growth strategy and accordingly, given the scale of the opportunity and our ambition, we now plan to add at least 450 business centres in 2014. While this will lead to additional opening costs and initial operating losses which will impact the Group's full year results, we remain confident that our strategy to make significant investments this year will drive future revenue, profit and cash flow.

Overhead control remains a core focus for the Group and we are pleased with further progress in this area. We are constantly shaping our structure and processes to ensure this continues.

Overall, our underlying momentum is strong. We remain confident about the rest of the year, although our reported results will reflect the strength of sterling.

Mark Dixon
Chief Executive Officer
26 August 2014

Chief Financial Officer's review

Further progress tempered by strength of sterling

This is a pleasing set of results. The business has made further progress and underlying trading has continued to be in line with management's expectations. Our reported results, however, have been impacted by the significant appreciation of sterling, which has reduced the Group operating profit on translation by £8.5m. Accordingly, the increase in reported Group operating profit of 16% to £39.9m compares to an improvement at constant currency of 41%. Moreover, this has been achieved in spite of the initial negative impact on profitability from the sizeable growth in the New Centres business over the last 18-months.

The Mature Centres business has delivered a 44% growth in operating profit at constant currency, up 28% at actual rates to £93.0m from £72.4m. Mature EPS increased 42% at constant currency to 7.6p (H1 2013: 6.0p).

Mature profitability continues to convert strongly into cash. During the first half £71.8m of free cash flow was generated, equivalent to a free cash flow margin of 11.1%, or 7.6p per share, a 100% rate of cash conversion.

Since the first half of 2013 the scale of our New Centre business has grown significantly, increasing the drag on profitability to £52.1m (H1 2013: £37.4m) while these centres progress towards maturity. Overall, we invested £148.5m in our New Centre business and added 194 centres.

Reflecting this investment, payment of the final dividend for 2013 of £23.7m and the increase in available funding capacity, net finance costs increased to £8.9m (H1 2013: £3.2m. Net debt increased from £57.2 million as at 31 December 2013 to £161.3m at 30 June 2014.

We continue to be pleased with the flow of investment opportunities yielding attractive returns. Due to strong underlying demand we now expect to open at least 450 centres in 2014.To take advantage of these opportunities we continue to ensure that the Group has the financial resources to support growth and, to this end, we secured an additional €210m (£170m) of financing through the issue of debt securities using the German "Schuldschein" framework during the period.

We will continue to manage our financial headroom and the maturity profile of our debt commitments, while ensuring that we continue to take a prudent approach to our capital structure.

Reflecting the Group's continued financial and operational progress, the Board has declared a 14% increase in the interim dividend from 1.1p to 1.25p.

Future guidance

We continue to find excellent opportunities to grow. As outlined earlier, we now plan to add at least 450 new business centres in 2014. Ultimately the number of centres we actually add will continue to be influenced by a number of factors, not least the availability and timing of acquisition opportunities.

Our growth strategy is returns driven. Given the increased diversity of locations, the variety of deal types and centre configurations we are now opening, the Board now believes that providing growth guidance by reference to future centre additions is no longer the most appropriate and helpful form of guidance.

Starting with financial year 2015 we will guide by reference to anticipated net capital expenditure. We believe this will help stakeholders better understand the way our business model creates value over the long-term, specifically with relation to the payback and return on investment. We will, however, continue to provide the same level of actual data on centre additions and workstation numbers as currently disclosed.

Our 2010 and 2011 centre openings have achieved a combined post tax return of 25%, more than double our estimated weighted average cost of capital. These centres have, therefore, added substantial value to the business and we remain confident that our more recent and future investments will, similarly, add further value.

Segmental presentation

Consistent with prior reporting periods we present our financial results by reference to the Mature and New businesses separately. Distinguishing the results in this way provides a better understanding of the underlying performance of the business. In doing this we are able to highlight the changing financial characteristics of the business over the maturity cycle, with new centres negatively impacting profitability, most particularly in the year of opening.

Although we constantly monitor the appropriateness of the assumptions underlying our total overhead cost (SG&A and R&D) allocation methodology in deriving our segmental presentation of our results, no changes have been made to the methodology detailed on page 20 of the 2013 Annual Report and Accounts for this reporting period.

Mature Centres business (centres opened on or before 31 December 2012)

At the end of June 2014, we had 1,372 centres in the mature business which represented approximately 68% of our global portfolio. We remain focussed on growing the scale and operating profitability of our Mature Centre business. These interim results show that we have continued to make good progress.

Our 2012 centre openings joined our Mature business on 1 January 2014. Following the acceleration of our growth programme, these 239 centres represent the largest annual increase in our Mature business to date. With bigger year-group additions now starting to feed through into the Mature Centre business, they will have a greater relative initial influence on the performance of the enlarged business. The 2012 openings were, on balance, more second half weighted and therefore still relatively early in their maturity cycle when they joined the Mature business. Nonetheless, these centres have made progress to narrow the performance gap with the 2011 Mature Centre business (all centres opened on or before 31 December 2011) during the first half, with a gross margin before depreciation and amortisation of 25.2% compared to 33.5% on the 2011 Mature Centre business.

The table below shows the year-on-year interim performance of our Mature Centres.

£m	H1 2014	H1 2013	% change (actual currency)	% change (constant currency)
Revenue	**647.5**	**682.5**	**(5.1)%**	**3.2%**
Gross Profit (centre contribution)	**175.8**	**176.1**	**0%**	**10%**
Gross Margin	***27.2%***	***25.8%***		
Overheads	**(83.2)**	**(104.0)**	**20%**	**13%**
Joint ventures	**0.4**	**0.3**		
Operating profit	**93.0**	**72.4**	**28%**	**44%**
Operating margin	***14.4%***	***10.6%***		
EBITDA	**132.6**	**113.5**	**17%**	**30%**
EBITDA margin	***20.5%***	***16.6%***		

The Mature business overall continues to progress and perform in line with our expectations. Revenue was £647.5m, a constant currency increase of 3.2% (down 5.1% at actual rates). This result reflects the continuing focus on improving the performance of the business, with mature REVPOW for the first half improving to £3,523 (an increase of 2.3% (£79) at constant currency and down 6.0% (£228) at actual rates) continuing the trend of incremental yield improvement. Average occupancy for the period also improved to 82.0%, compared to 81.1% in the comparable period.

Gross profit (centre contribution) increased 10% at constant currency to £175.8m (broadly flat at actual rates). Accordingly the gross margin increased from 25.8% to 27.2% reflecting the benefit of higher revenue (in part from the continued maturation of the 2012 centre additions) and our strong discipline over managing centre costs and improving the efficiency of the business at centre level.

As expected overheads allocated to the Mature Centre business reduced from £104.0m to £83.2m as the Group continues to benefit from its ability to leverage its cost base across a larger number of centres. Correspondingly, overheads as a percentage of revenue declined from 15.2% of mature revenues in the first half of 2013 to 12.8% for the six months ended 30 June 2014.

As a result our operating profit increased 44% at constant currency (28% at actual rates) to £93.0m (H1 2013: £72.4m), improving the operating margin from 10.6% to 14.4%.

The table below sets out an EPS calculation for our Mature business. In management's view, this provides a more representative picture of the development in the operating performance of the business.

£m	H1 2014	H1 2013	% change (actual currency)	% change (constant currency)
Mature operating profit	**93.0**	**72.4**	**28%**	**44%**
Net finance charge	**(3.1)**	**(1.9)**	**63%**	**63%**
Tax at 20%	**(18.0)**	**(14.1)**	**28%**	**43%**
Mature profit after tax	**71.9**	**56.4**	**27%**	**43%**
Mature EPS (p)	**7.6**	**6.0**	**27%**	**42%**

Commensurate with the strong advance in operating profit, mature EPS improved by 42% at constant currency to 7.6p (up 27% at actual rates).

The Mature business' ability to generate cash remains an attractive characteristic. Once more, the conversion of mature profitability into cash has been strong, thereby continuing to make a significant contribution to the funding of our new centre growth programme.

£m	H1 2014	H1 2013
EBITDA	132.6	113.5
Working capital (estimated)	(16.6)	(2.2)
Maintenance capital expenditure	(28.0)	(43.7)
Other items (allocated)	4.9	2.2
Finance costs	(3.1)	(1.9)
Tax*	(18.0)	(14.1)
Mature free cash flow	**71.8**	**53.8**

* Tax at 20% of profit before tax

Maintenance capital expenditure for the first half was £28.0m (H1 2013: £43.7m), representing 4.3% of mature revenues and continuing in line with our guidance of 4-5% for the full year. The higher level of maintenance capital expenditure in 2013 in part reflects the inclusion of the 2012 openings, many of which opened later in the year, with some of the related growth capital expenditure being subsequently settled in early 2013.

We have experienced a £16.6m working capital outflow in the first half of the current year. This represents just 1.1% of Group gross working capital balances and is mainly due to timing differences.

The 33% increase in mature free cash flow to £71.8m, represents 7.6p per share and a 100% cash conversion rate.

New Centres business (centres opened on or after 1 January 2013)

We are very pleased with the many opportunities for growth which we have been able to find since the start of the year. Following the strong opening programme in the final quarter of 2013 (161 new centres added) we have added a further 194 centres in the first half of 2014, compared with 203 in the first half of 2013. As always, these first half additions have come from a combination of organic openings and acquisitions. In total, at the end of June 2014, we had 632 new centres, comprising 32% of the total number of centres. This bodes well for the future development of our business as these centres progress to maturity.

Overall, these new centres represent a material investment for the Group and, with the increase in the anticipated number of additions this year, will continue to provide a significant drag on the Group's income statement. This arises from the substantial investment into central overheads to support this growth and the initial negative gross margin while occupancy builds. Nonetheless, the performance of our new centres continues to be in line with management expectations and provides the bedrock for future growth in the Group's overall level of profitability and cash generation.

The table below illustrates the material initial impact on the income statement of these new openings.

New Centre performance

£m	H1 2014	H1 2013
2013 Openings	137.9	51.8
2014 Openings	16.5	
Revenue	**154.4**	**51.8**
2013 Openings	7.0	3.9
2014 Openings	(3.4)	
Gross profit (centre contribution)	**3.6**	**3.9**
Overheads	(55.7)	(41.3)
Operating profit	**(52.1)**	**(37.4)**
EBITDA	**(35.7)**	**(33.4)**

The 2013 year openings are progressing to maturity in line with management's expectations. On the positive side, the MWB centres acquired in early 2013 contributed positively to gross margin. On the other hand, out of 448 total centre additions last year, 161 (36%) of them came in the final quarter, with many of these in December. Given this, these centres were on average very new coming into 2014, and consequently they have impacted profitability negatively in the first half of 2014. Overall, the gross profit on the 2013 openings in 2014 was a modest positive £7.0m. We anticipate an improved contribution from this year group in the second half of 2014 as these centres progress towards maturity.

It is early days for the 2014 additions, but these are so far developing in line with our expectations.

In the first half of 2014, the allocation of central overheads to support the new 2013 and 2014 centres increased to £55.7m as the overall number of centres was considerably greater.

Consequently the New Centres business had an overall negative contribution of £52.1m to Group operating profit in the first half of 2014, compared with £37.4m for the corresponding period in 2013.

We have, consistent with previous reporting periods, included the results of our Third Place business within the New Centre business performance.

We set out below the significant cash flow impact of the investment in new centres:

£m	H1 2014	H1 2013
EBITDA	(35.7)	(33.4)
Working capital (estimated)	22.8	13.3
Growth capital expenditure	(136.3)	(153.5)
Other	(2.2)	2.2
Finance costs	(5.8)	(1.3)
Tax	8.7	5.3
Net investment in new centres	**(148.5)**	**(167.4)**

During the first half of 2014 the Group invested £136.3m in growth capital expenditure. Although still a significant sum, this is slightly below the level invested during the comparative period in 2013. In part this reflects factors such as geographic mix and timing differences, as well a slightly lower number of centres being added in the period. Overall net investment in new centres remains substantial and in the half year totalled £148.5m. As expected, the New centres continue to have a positive impact on working capital.

We remain resolutely focussed on ensuring new centre additions meet the investment returns criteria. All potential new locations are rigorously evaluated by the Investment Committee and their progress monitored each month. As our network grows more data becomes available to better evaluate future investment opportunities. Measuring, monitoring and, most importantly, achieving the stringent financial returns is absolutely at the heart of how we manage the growth of the business.

Closures

During the first half of 2014 we closed, relocated or resized 22 centres (H1 2013: 9). These centres contributed a modest operating loss of £1.0m, against a loss of £0.7m in the corresponding period.

Overheads

Total Group overheads (excluding Research & Development) declined from £143.4m to £135.0m. Although the first half of 2013 included £7.4m of transaction and restructuring costs related to the acquisition of MWB, costs of this type are constantly being incurred as we add to our business and, as such, represent just another element of the overhead associated with growth. Accordingly, overall overheads (excluding Research & Development) decreased 0.4% at constant currency (down 6% at actual rates), notwithstanding significant growth in the scale of the business with a net increase in the network of 399 centres since 30 June 2013 and many Third Place locations added. Total Group operating costs (excluding Research & Development) as a percentage of revenues declined to 16.8% compared to 19.2% in the comparable period in 2013. We are pleased that this performance reflects further progress in respect of our strategic objective of controlling costs and we expect to achieve further improvements in the future.

Innovation is a key strategic objective and core to the maintenance of our market-leading position. As previously signalled, we have increased investment in R&D by 34% to £4.3m. Being able to support such a level of investment is a key differentiator for Regus within a highly fragmented market.

Group operating performance reconciliation

The following tables reconcile the elements of our business by maturity to the Group consolidated income statement down to operating profit and we also include EBITDA:

£m	Mature centres H1 2014	New centres H1 2014	Closed centres H1 2014	Total H1 2014
Revenue	647.5	154.4	2.8	804.7
Cost of sales	(471.7)	(150.8)	(3.4)	(625.9)
Gross profit (centre contribution)	175.8	3.6	(0.6)	178.8
Overheads	(83.2)	(55.7)	(0.4)	(139.3)
Share of profit of joint ventures	0.4	-	-	0.4
Operating profit	**93.0**	**(52.1)**	**(1.0)**	**39.9**
EBITDA	**132.6**	**(35.7)**	**(0.5)**	**96.4**

£m	Mature centres H1 2013	New centres H1 2013	Closed centres H1 2013	Total H1 2013
Revenue	682.5	51.8	10.4	744.7
Cost of sales	(506.4)	(47.9)	(9.8)	(564.1)
Gross profit (centre contribution)	176.1	3.9	0.6	180.6
Overheads	(104.0)	(41.3)	(1.3)	(146.6)
Share of profit of joint ventures	0.3	-	-	0.3
Operating profit	**72.4**	**(37.4)**	**(0.7)**	**34.3**
EBITDA	**113.5**	**(33.4)**	**(0.5)**	**79.6**

Overall, Group revenues increased 16.9% at constant currency rates from £744.7m to £804.7m (8.1% increase at actual currency rates) and reported gross profit increased 8% to £178.8m at constant currency rates (down 1% at actual rates). Reported operating profit was 41% ahead of the corresponding period at £39.9m (H1 2013: £34.3m) at constant currency rates (up 16% at actual rates).

Net finance costs

The Group's net finance costs have increased significantly from £3.2m to £8.9m as a result of the following:

- Net debt has increased significantly as the Group has invested further into growth at a rate ahead of its ability to generate cash from its profitable Mature Centres business;
- While the approach to the balance sheet continues to be prudent we have increased the financing headroom available via the issue of £170m of loan notes, with the attendant carry costs. Please refer to Note 7 for more detail on this debt issuance;
- In order to take advantage of the current very low interest rate environment and to provide certainty of financing costs and cash flows over the medium term, the Group has taken out swaps during the period to convert a substantial proportion of its debt from floating to fixed rates. While providing the Group with protection against higher interest rates, given the current positive yield curve, the immediate impact of this hedging is a higher interest rate applying to its debt.

The Group also incurred a notional non-cash interest charge of £0.9m (H1 2013: £1.0m) relating to the accounting treatment of fair value adjustments on various acquisitions made.

Tax

The interim tax charge was 20.0%, in line with our anticipated long-term effective rate.

Earnings per share

Group earnings per share for the half year were down 7% to 2.6p (H1 2013: 2.8p). The weighted average number of shares in issue for the first half was 946,377,122 (H1 2013: 942,900,717). During the first half the Group purchased 3.5 million shares designated to be held in treasury. The Group also over the same period reissued 1,592,376 shares from treasury.

Cash flow and funding

The table below reflects the Group's cash flow:

£m	H1 2014	H1 2013
Mature free cash flow	71.8	53.8
Net investment in new centres	(148.5)	(167.4)
Closed centres cash flow	(0.6)	(0.3)
Total net cash flow from operations	(77.3)	(113.9)
Dividends	(23.7)	(20.8)
Corporate financing activities	(4.6)	(1.3)
Change in net cash	(105.6)	(136.0)
Opening net cash	(57.2)	120.0
Exchange movements	1.5	2.0
Closing net (debt) / cash	**(161.3)**	**(14.0)**

Cash generation from the mature business remains strong. Mature free cash flow increased 33% to £71.8m. This represents a mature free cash flow per share of 7.6p.

We have made a further substantial investment in growing our business. We invested £148.5m in our New Centres business compared to £167.4m in the corresponding period. We added 194 centres in the first half, a broadly similar level to the 203 that were added in the first six months of 2013.

The free cash flow from the Mature Centres business continues to fund a sizeable proportion of this growth. In the coming years as our Mature business grows in scale so the amount of investment that can be self funded will increase. However, the opportunity for growth investment that we have been experiencing recently has outstripped our ability to self-fund. This has resulted in a significant net cash outflow for the business. As noted in our 2013 Annual Results, the net debt position as at 31 December 2013 of £57.2m was slightly better than expected, mainly due to timing differences, particularly in relation to growth capital expenditure payments. With the settlement of these balances and further investment in growth, our net debt position has increased to £161.3m at 30 June 2014. This is in line with our expectations.

To ensure that the Group maintains an appropriate level of headroom to execute its growth strategy, as highlighted earlier, during the first half we raised £170m by issuing €210m of debt securities using the German "Schuldschein" framework. These securities consisted of €165m of three-year notes and €45m of five-year notes. These notes were sold to a number of banks and institutional investors and are subject to covenants which are similar to our banking facilities. As previously noted, as part of the Group's balance sheet management the interest rate exposure on these notes has been fixed and we have also used a currency swap to maintain the currency profile of our external debt. The proceeds from these notes were substantially used to reduce the borrowing on the Group's £320m revolving credit facility, which remains fully available.

We will continue to maintain a prudent approach to the Group's capital structure and intend to maintain a net debt : Group EBITDA leverage ratio below c. 1.5 times. We believe that this is an appropriate level of leverage for the business to operate

within, although we will keep this under review going forward in light of developments in the debt markets and our own growth opportunities, including bolt-on acquisitions.

Strong focus on risk management

The principal risks and uncertainties affecting the Group remain unchanged. A detailed assessment of the principal risks and uncertainties which could impact the Group's long term performance and the risk management structure in place to identify, manage and mitigate such risks can be found in the strategic report in the 2013 Annual Report and Accounts on pages 24 to 27 and in note 22 to the accounts (pages 83 to 88).

The successful delivery of Regus' strategy depends on our ability to identify and manage the risks associated with our business. Our focus on risk management therefore remains resolute. Although we would not be immune to a significant economic event, we continue to build a business with greater resilience and flexibility.

The Group has a very diverse revenue base, given its global reach, extensive range of products, and increasing numbers of customers across a broad spectrum of different industries. As such, its exposure to localised economic issues or the health of individual industries is manageable.

Over recent years the Group has done much to manage the risks associated with its lease obligations, with rental costs being an important part of the Group's cost of sales. Further good progress has been made in the first half of 2014 with 90% of leases now being flexible and/or variable in nature.

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. Sterling strengthened considerably in the final quarter of 2013 against many of the currencies that the Group operates in. At the time of publishing our 2013 results we expected sterling to remain strong and that it would impact the translation of our financial results. The table below, which sets out some of the principal exchange rates affecting the Group's overseas profits and net assets, highlights that sterling continued to appreciate throughout the first half of this year. This has resulted in an even greater impact on the translation of our results.

The movement in exchange rates during the period reduced reported revenue, gross profit and operating profit by £65.9m, £16.2m, and £8.5m respectively over the corresponding period last year, with the strengthening of sterling against the US dollar having the greatest impact.

This appreciation of sterling has continued so far into the second half and will impact the full year financial results of our operations when translated into sterling, assuming that sterling's strength is maintained through to the end of the year. Nonetheless, the effect on the full year results is likely to be less pronounced than for the first half as sterling started to strengthen during the second half of 2013.

Foreign exchange rates

Per £ Sterling	At 30 June			Half year average		
	2014	2013	%	2014	2013	%
US dollar	1.70	1.53	11%	1.67	1.54	8%
Euro	1.25	1.17	7%	1.22	1.17	4%
Japanese yen	173	151	15%	171	147	16%

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the six-month period ended 30 June 2014 from those described in note 29 to the 2013 Annual Report and Accounts (page 101).

Dividends

A final dividend of 2.5p per share for 2013 was paid by Regus plc on 30 May 2014 following shareholder approval (2013: 2.2p).

In line with Regus' progressive dividend policy the Board has increased the 2014 interim dividend by 14% to 1.25p per share (H1 2013: 1.1p). The interim dividend will be paid on Friday, 3 October 2014 to shareholders on the register at the close of business on Friday, 5 September 2014.

Dominique Yates
Chief Financial Officer
26 August 2014

Condensed Consolidated Financial Information

Interim consolidated income statement (unaudited)

£m	Notes	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Revenue	2	**804.7**	744.7
Cost of sales		**(625.9)**	(564.1)
Gross profit (centre contribution)		**178.8**	180.6
Selling, general and administrative expenses		**(135.0)**	(143.4)
Research and development expense		**(4.3)**	(3.2)
Share of post-tax profit of equity accounted investees, net of tax		**0.4**	0.3
Operating profit		**39.9**	34.3
Finance expense		**(9.1)**	(4.0)
Finance income		**0.2**	0.8
Net finance expense		**(8.9)**	(3.2)
Profit before tax for the period	2	**31.0**	31.1
Tax charge		**(6.2)**	(4.9)
Profit for the period		**24.8**	26.2
Profit attributable to:			
Equity shareholders of the parent		**24.8**	26.2
Non-controlling interests		**-**	-
Profit for the period		**24.8**	26.2

Interim consolidated statement of comprehensive income (unaudited)

£m	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Profit for the period	**24.8**	26.2
Other comprehensive income:		
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of changes in fair value	**(0.5)**	-
Foreign currency translation differences for foreign operations	**(10.5)**	10.4
Items of other comprehensive income that are or may be reclassified to profit or loss in subsequent periods	**(11.0)**	10.4
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:		
Remeasurement of defined benefit liability	**-**	-
Income tax effect	**-**	-
Items of other comprehensive income that will never be reclassified to profit or loss in subsequent periods	**-**	-
Other comprehensive income for the period, net of income tax	**(11.0)**	10.4
Total comprehensive income for the period, net of tax	**13.8**	36.6
Total comprehensive income attributable to:		
Equity shareholders of the parent	**13.8**	36.6
Non-controlling interests	**-**	-
Total comprehensive income for the period	**13.8**	36.6

Earnings per ordinary share (EPS):	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Basic (p)	**2.6**	2.8
Diluted (p)	**2.6**	2.7

The above interim consolidated income statement and interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity (unaudited)

£m	Notes	Share capital	Treasury shares	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Other	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the parent (note a)									
Balance at 1 January 2013		**9.5**	**(7.0)**	**34.0**	**-**	**10.5**	**15.3**	**465.1**	**527.4**	**-**	**527.4**
Total comprehensive income for the period:											
Profit for the period		-	-	-	-	-	-	26.2	26.2	-	26.2
Other comprehensive income:											
Foreign currency translation differences for foreign operations		-	-	10.4	-	-	-	-	10.4	-	10.4
Total other comprehensive income, net of income tax		-	-	10.4	-	-	-	-	10.4	-	10.4
Total comprehensive income for the period		-	-	10.4	-	-	-	26.2	36.6	-	36.6
Transactions with owners, recorded directly in equity:											
Share based payments		-	-	-	-	-	-	1.3	1.3	-	1.3
Ordinary dividend paid	3	-	-	-	-	-	-	(20.8)	(20.8)	-	(20.8)
Non-controlling interests recognised on acquisition	11	-	-	-	-	-	-	(16.3)	(16.3)	(5.6)	(21.9)
Acquisition of non-controlling interests	11	-	-	-	-	-	-	(5.6)	(5.6)	5.6	-
Settlement of share awards		-	1.5	-	-	-	-	(2.5)	(1.0)	-	(1.0)
Balance at 30 June 2013		**9.5**	**(5.5)**	**44.4**	**-**	**10.5**	**15.3**	**447.4**	**521.6**	**-**	**521.6**
Balance at 1 January 2014		**9.5**	**(4.1)**	**6.6**	**-**	**10.5**	**15.3**	**476.4**	**514.2**	**-**	**514.2**
Total comprehensive income for the period:											
Profit for the period		-	-	-	-	-	-	24.8	24.8	-	24.8
Other comprehensive income:											
Cash flow hedges – effective portion of changes in fair value	7	-	-	-	(0.5)	-	-	-	(0.5)	-	(0.5)
Foreign currency translation differences for foreign operations		-	-	(10.5)	-	-	-	-	(10.5)	-	(10.5)
Total other comprehensive income, net of income tax		-	-	(10.5)	(0.5)	-	-	-	(11.0)	-	(11.0)
Total comprehensive income for the period		-	-	(10.5)	(0.5)	-	-	24.8	13.8	-	13.8
Transactions with owners, recorded directly in equity:											
Share based payments		-	-	-	-	-	-	1.2	1.2	-	1.2
Ordinary dividend paid	3	-	-	-	-	-	-	(23.7)	(23.7)	-	(23.7)
Purchase of treasury shares in Regus Plc		-	(6.6)	-	-	-	-	-	(6.6)	-	(6.6)
Settlement of share awards		-	1.2	-	-	-	-	(1.0)	0.2	-	0.2
Balance at 30 June 2014		**9.5**	**(9.5)**	(3.9)	**(0.5)**	**10.5**	**15.3**	**477.7**	**499.1**	**-**	**499.1**

(a) Total reserves attributable to equity holders of the parent:

- Share capital represents the nominal value arising on the issue of the Company's equity share capital.
- Treasury shares represent 7,165,004 (30 June 2013: 7,052,958) ordinary shares of the Group that were acquired for the purposes of the Group's employee share option plans and the share buyback programme. During the period 3,500,000 (2013: nil) shares were purchased and 1,592,376 (2013: 1,929,181) were utilised to satisfy the exercise of share options by employees. At 26 August 2014, 6,898,939 treasury shares were held.
- The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.
- The revaluation reserve arose on the restatement of the assets and liabilities of the UK associate from historic cost to fair value at the time of the acquisition of the outstanding 58% interest on 19 April 2006.
- Other reserves include £37.9 million arising from the Scheme of Arrangement undertaken on 14 October 2008, £6.5 million relating to merger reserves and £0.1 million to the redemption of preference shares partly offset by £29.2 million arising from the Scheme of Arrangement undertaken in 2003.

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes

.Interim consolidated balance sheet

£m	Notes	**As at 30 June 2014 (unaudited)**	As at 30 June 2013 (unaudited)	As at 31 December 2013*
Non-current assets				
Goodwill	4	**465.6**	432.7	438.7
Other intangible assets		**54.7**	52.5	53.0
Property, plant and equipment		**681.6**	549.2	608.7
Deferred tax assets		**33.0**	35.7	33.4
Other long term receivables		**41.3**	41.8	37.5
Investments in joint ventures		**2.0**	1.7	1.3
		1,278.2	1,113.6	1,172.6
Current assets				
Trade and other receivables		**413.7**	374.9	376.9
Corporation tax receivable		**13.4**	8.2	8.1
Cash and cash equivalents	6	**72.2**	73.8	84.7
		499.3	456.9	469.7
Total assets		**1,777.5**	1,570.5	1,642.3
Current liabilities				
Trade and other payables (incl. customer deposits)		**(598.2)**	(554.2)	(570.8)
Deferred income		**(193.3)**	(185.0)	(179.8)
Corporation tax payable		**(9.1)**	(5.5)	(6.2)
Obligations under finance leases	6	**-**	(0.2)	-
Bank and other loans	6	**(1.5)**	(0.8)	(1.2)
Provisions		**(0.8)**	(4.3)	(0.8)
		(802.9)	(750.0)	(758.8)
Net current liabilities		**(303.6)**	(293.1)	(289.1)
Total assets less current liabilities		**974.6**	820.5	883.5
Non-current liabilities				
Other payables		**(236.6)**	(198.7)	(220.7)
Obligations under finance leases	6	**(0.1)**	(0.1)	(0.1)
Bank and other loans	6	**(231.9)**	(86.7)	(140.6)
Deferred tax liability		**(0.1)**	(1.0)	(1.6)
Provisions		**(6.0)**	(11.4)	(4.9)
Provision for deficit in joint ventures		**(0.6)**	(0.8)	(1.2)
Retirement benefit obligations		**(0.2)**	(0.2)	(0.2)
		(475.5)	(298.9)	(369.3)
Total liabilities		**(1,278.4)**	(1,048.9)	(1,128.1)
Total assets less liabilities		**499.1**	521.6	514.2
Total equity				
Issued share capital		**9.5**	9.5	9.5
Treasury shares		**(9.5)**	(5.5)	(4.1)
Foreign currency translation reserve		**(3.9)**	44.4	6.6
Hedging reserve		**(0.5)**	-	-
Revaluation reserve		**10.5**	10.5	10.5
Other reserves		**15.3**	15.3	15.3
Retained earnings		**477.7**	447.4	476.4
Total shareholders' equity		**499.1**	521.6	514.2
Non-controlling interests		**-**	-	-
Total equity		**499.1**	521.6	514.2
Total equity and liabilities		**1,777.5**	1,570.5	1,642.3

* Based on the audited financial statements for the year ended 31 December 2013.

The above interim consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of cash flows (unaudited)

£m	Notes	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Profit before tax for the period		**31.0**	31.1
Adjustments for:			
Net finance expense		**8.9**	3.2
Net share of profit on equity-accounted investees, net of income tax		**(0.4)**	(0.3)
Depreciation charge		**50.9**	41.0
Loss on disposal of property, plant and equipment		**0.1**	0.4
Amortisation of intangible assets		**5.6**	4.3
(Gain) / Loss on disposal of intangible assets		**-**	-
(Decrease) / Increase in provisions		**(0.1)**	3.1
Share based payments		**1.2**	1.3
Other non-cash movements		**(1.2)**	(0.7)
Operating cash flows before movements in working capital		**96.0**	83.4
Increase in trade and other receivables		**(33.1)**	(49.9)
Increase in trade and other payables		**39.3**	61.0
Cash generated from operations		**102.2**	94.5
Interest paid		**(4.8)**	(4.0)
Tax paid		**(9.3)**	(8.8)
Net cash inflows from operating activities		**88.1**	81.7
Investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	11	**(72.2)**	(65.2)
Dividends received from joint ventures		**0.5**	0.6
Proceeds on sale of property, plant and equipment	5	**0.2**	0.1
Purchase of property, plant and equipment	5	**(84.9)**	(108.0)
Purchase of intangible assets		**(7.2)**	(7.7)
Interest received		**0.2**	0.7
Cash (Outflows) from investing activities		**(163.4)**	(179.5)
Financing activities			
Net proceeds from issue of loans	6	**173.5**	78.9
Repayment of loans	6	**(78.9)**	(3.4)
Repayment of principal under finance leases	6	**-**	(0.4)
Acquisition of non-controlling interests	11	**-**	(16.3)
Re-issuance of treasury shares		**1.2**	1.5
Purchase of treasury shares		**(6.6)**	-
Settlement of share awards		**(1.0)**	(2.5)
Payment of ordinary dividend	3	**(23.7)**	(20.8)
Cash inflows from financing activities		**64.5**	37.0
Net decrease in cash and cash equivalents	6	**(10.8)**	(60.8)
Cash and cash equivalents at beginning of period	6	**84.7**	132.3
Effect of exchange rate fluctuations on cash held	6	**(1.7)**	2.3
Cash and cash equivalents at end of period	6	**72.2**	73.8

The above interim consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Condensed Interim Consolidated Financial Information (unaudited)

Note 1: Basis of preparation and accounting policies

Regus plc S.A. is a public limited company incorporated in Jersey and registered and domiciled in Luxembourg. The Company's ordinary shares are traded on the London Stock Exchange. Regus plc S.A. owns an international network of business centres which are leased to a variety of business customers.

The unaudited condensed interim consolidated financial information as at and for the six months ended 30 June 2014 included within the half yearly report:

- was prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as adopted by the European Union (“adopted IFRS”), and therefore does not include all disclosures that would otherwise be required in a complete set of financial statements. Selected explanatory notes are included to understand events and transactions that are significant to understand the changes in the Group’s financial position and performance since the last Regus plc Annual Report and Accounts for the year ended 31 December 2013;
- was prepared in accordance with the Disclosure and Transparency Rules (“DTR”) of the Financial Services Authority;
- comprise the Company and its subsidiaries (the “Group”) and the Group’s interests in jointly controlled entities;
- do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2013 has been filed with both the Luxembourg Register of Commerce and the Jersey Companies Registry. Those accounts have been reported on by the Company's auditors and the report of the auditors was (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. These accounts are available from the Company's website - www.regus.com; and
- the condensed consolidated interim financial information was approved by the Board of Directors on 26 August 2014.

In preparing this condensed consolidated interim financial information, the significant judgments made by management and the key sources of estimation of uncertainty were the same as those that applied to the Report and Accounts for the year ended 31 December 2013. The basis of preparation and accounting policies set out in the Report and Accounts for the year ended 31 December 2013 have been applied in the preparation of this half yearly report, except for the adoption of new standards and interpretations effective as of 1 January 2014, which did not have a material effect on the on the Group financial statements, unless otherwise indicated.

The following standards, interpretations and amendments to standards were applicable to the Group for periods commencing on or after 1 January 2014:

IAS 27	Separate Financial Statements (Revised) (and subsequent amendments)
IAS 28	Investments in Associates and Joint Ventures (Revised)
IAS 32	Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10	Consolidated Financial Statements (and subsequent amendments)
IFRS 11	Joint Arrangements (and subsequent amendments)
IFRS 12	Disclosure of Interests in Other Entities (and subsequent amendments)
IFRIC 21	Levies

In addition, the following new or amended standards and interpretations that are mandatory for 2014 annual periods are not expected to have a material impact on the Company:

IAS 19	Defined Benefit Plans: Employee Contributions – Amendments to IAS 19	1 July 2014
Various	Annual Improvements (2010 – 2012 Cycle)	1 July 2014
Various	Annual Improvements (2011 – 2013 Cycle)	1 July 2014

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Seasonality

The majority of the Group’s revenue is contracted and is therefore not subject to significant seasonal fluctuations. Demand based revenue (from products such as Meeting Rooms and Customer Services) is impacted by seasonal factors within the year, particularly around summer and winter vacation periods. This fluctuation leads to a small seasonal profit bias to the second half year compared to the first half. However, this seasonal bias is often hidden by other factors which drive changes in the pattern of profit delivery such as the addition of new centres or changes in demand or prices.

Going concern

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

Note 2: Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including those that relate to transactions with other operating segments. An operating segment's results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The business is run on a worldwide basis but managed through four principal geographical segments; Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and the United Kingdom. The United Kingdom segment does not include the Group's non-trading holding and corporate management companies that are based in the UK and the EMEA segment does not include the Group's non-trading head office and holding companies that are based in Luxembourg. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker (the Board of Directors of the Group). All reportable segments are involved in the provision of global workplace solutions. The Group's reportable segments operate in different markets and are managed separately because of the different economic characteristics that exist in each of those markets. Each reportable segment has its own discrete senior management team responsible for the performance of the segment. The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for Regus plc for the year ended 31 December 2013. The performance of each segment is assessed on the basis of the segment operating profit which excludes certain non-recurring items (including provisions for onerous contracts and asset write-downs), exceptional gains and losses, internal management charges and foreign exchange gains and losses arising on transactions with other operating segments.

£m Six months ended 30 June	**Americas**		**EMEA**		**Asia Pacific**		**United Kingdom**		**All other segments**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenues from external customers	**324.1**	316.2	**179.2**	165.0	**113.5**	111.2	**187.2**	151.4	**0.7**	0.9	**804.7**	744.7
Revenues from internal customers	**0.1**	0.5	**0.6**	0.1	**1.3**	-	**0.6**	0.9	**-**	-	**2.6**	1.5
Segment revenues	**324.2**	316.7	**179.8**	165.1	**114.8**	111.2	**187.8**	152.3	**0.7**	0.9	**807.3**	746.2
Reportable segment profit before tax	**35.1**	36.3	**9.4**	14.6	**13.9**	12.3	**28.8**	6.2	**(3.7)**	(1.5)	**83.5**	67.9
Reportable segment assets	**809.2**	944.3	**338.6**	344.4	**223.7**	211.3	**559.1**	508.5	**1.8**	1.9	**1,932.4**	2,010.4
Reportable segment liabilities	**(683.2)**	(632.2)	**(425.1)**	(419.8)	**(206.0)**	(194.1)	**(571.5)**	(530.9)	**(0.4)**	(0.6)	**(1,886.2)**	(1,777.6)

Reconciliation of reportable segment profit to published profit:

£m	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Reportable segment profit	**83.5**	67.9
Elimination of inter-segment revenue	**(2.6)**	(1.5)
Corporate overheads	**(41.4)**	(32.4)
Share of post-tax profit of joint ventures	**0.4**	0.3
Net finance expense	**(8.9)**	(3.2)
Published Group profit before tax	**31.0**	31.1

There have been no changes to the basis of segmentation or the measurement basis for the segment profit since 31 December 2013.

Note 3: Dividends

Equity dividends on ordinary shares paid during the period:

£m	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Final dividend for the year ended 31 December 2013: 2.5 pence per share (2012: 2.2 pence per share)	**23.7**	20.8

Note 4: Goodwill and indefinite life intangible assets

As at 30 June 2014, the carrying value of the Group's goodwill and indefinite life intangible asset was £465.6 million and £11.2 million respectively (31 December 2013: £438.7 million and £11.2 million respectively). The last annual review of the carrying value of the goodwill and indefinite life intangible was performed as at 31 October 2013 and updated at 31 December 2013.

The recoverable amount of indefinite lived intangible assets of £476.8 million (2013: £449.9 million), calculated as the present value of future cash flows, is £1,524.4 million (2013: £1,206.3 million).

Note 5: Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired assets with a cost of £84.9 million (30 June 2013: £108.0million). Assets with a net book of value £nil (30 June 2013: £0.4 million) were disposed of during the period for £nil million (30 June 2013: £0.1 million).

Capital expenditure authorised and contracted for but not provided for in the accounts amounted to £30.6 million (30 June 2013: £98.5 million).

Note 6: Analysis of net financial resources

£m	At 1 Jan 2014	Cash flow	Non-cash changes	Exchange movement	**At 30 June 2014**
Cash and cash equivalents	84.7	(10.8)	-	(1.7)	**72.2**
Gross cash	84.7	(10.8)	-	(1.7)	**72.2**
Debt due within one year	(1.2)	(0.3)	-	-	**(1.5)**
Debt due after one year	(140.6)	(94.3)	-	3.0	**(231.9)**
Finance leases due within one year	-	-	-	-	**-**
Finance leases due after one year	(0.1)	-	-	-	**(0.1)**
	(141.9)	(94.6)	-	3.0	**(233.5)**
Net financial assets / (liabilities)	(57.2)	**(105.4)**	**-**	**1.3**	**(161.3)**

Cash, cash equivalents and liquid investment balances held by the Group that are not available for use (''Blocked Cash'') amounted to £17.8 million at 30 June 2014 (31 December 2013: £21.4 million).

Of this balance, £14.2 million (31 December 2013: £19.0 million) is pledged as security against outstanding bank guarantees and a further £3.6 million (31 December 2013: £2.4 million) is pledged against various other commitments of the Group.

Note 7: Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

		At 30 June 2014
	Carrying amount £m	**Fair value £m**
Financial assets:		
Trade and other receivables [1]	**314.2**	**314.2**
Total	**314.2**	**314.2**

Note 1 - Excluding prepayments, accrued income and other sundry balances which are not classified as financial assets

Financial liabilities:		
Trade and other payables [2]	**(240.6)**	**(240.6)**
Customer deposits	**(260.0)**	**(260.0)**
Obligations under finance leases	**(0.1)**	**(0.1)**
Bank loans	**(230.1)**	**(230.1)**
Other loans	**(3.3)**	**(3.3)**
Derivatives used for cash flow hedging [3]	**(1.8)**	**(1.8)**
Total	**(735.9)**	**(735.9)**

Note 2 – Excluding deferred income and other sundry balances which are not classified as financial liabilities

Note 3 – Including interest rate and cross currency swaps. Derivatives used for cash flow hedging are categorised as level 2 when measuring the fair value

Unrecognised gain	**-**

The carrying amount of financial assets and liabilities not measured at fair value is considered to be a reasonable approximation of fair value.

There has been no change in the classification of financial assets and liabilities, the methods and assumptions used in determining fair value and the categorization of financial assets and liabilities within the fair value hierarchy from those disclosed in the annual report for the year ended 31 December 2014, except for the following:

Derivative financial instruments

Derivative financial instruments are measured initially at fair value and changes in the fair value are recognised through the profit or loss unless the derivative financial instrument has been designated as a cash flow hedge whereby the effective portion of changes in the fair value are deferred in equity. The fair values of these derivative financial instruments are derived using forward pricing and swap models.

Note 7: Financial instruments (continued)

In the period to 30th June, Regus issued debt securities for a total amount of EUR210.0 million (£170.0 million) using the German "Schuldschein" framework for debt issuance. These securities consisted of EUR 165.0 million of three year notes and EUR 45.0 million of five year notes, and were sold to a number of banks and institutional investors. These securities are subject to covenants which are similar to our banking facilities.

The underlying interest obligation on these debt securities is floating rate and in Euro, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, EUR 165.0 million was swapped into a fixed rate GBP liability with an average fixed rate of 1.708%, and EUR 45.0 million was swapped into a fixed rate Euro liability with a fixed rate of 0.815%. While providing the Group with protection against higher interest rates, given the current positive yield curve, the immediate impact of this hedging is a modest increase in financing expense.

The proceeds of the EUR 210.0 million securities were substantially all used to reduce borrowings on the group's £320.0 million medium term bank facility, which remains fully available.

Note 8: Share based payment

During the period the Group awarded nil options (2013: nil) and nil conditional share awards (2013: nil) under the Long term Incentive Plan and 809,610 shares were granted under the Co-Investment Plan (2013: 1,521,470 shares). During 2014 1,845,500 options (2013: 10,514,000) were granted under the Share Option Plan.

Note 9: Contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £109.1 million (31 December 2013: £109.9 million). There are no material lawsuits pending against the group.

Note 10: Related parties

The nature of related parties as disclosed in the consolidated financial statements for the Group for the year ended 31 December 2013 has not changed.

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
2014			
Joint Ventures	**0.9**	**4.8**	**4.7**
2013			
Joint Ventures	2.2	5.2	5.2

As at 30 June 2014, £nil of the amounts due to the Group have been provided for (31 December 2013: £nil). Transactions with related parties did not have a material effect on the financial results for the six months ended 30 June 2014.

During the period the Group acquired goods and services from a company indirectly controlled by a director of the Company amounting to £48,230 (30 June 2013: £15,730).

Compensation paid to the key management personnel of the Group will be disclosed in the Group's Annual Report and Accounts for the year ending 31 December 2014.

Note 11: Acquisitions of subsidiaries and non-controlling interest

During the six month period ended 30 June 2014 the Group made a number of small acquisitions for a total consideration of £79.0m (six months ended June 2013: £73.8m)

£m	Book value on acquisition	Provisional fair value recognised on acquisition
Net assets acquired		
Intangible assets	-	1.2
Property, plant and equipment	56.4	53.7
Cash	5.5	5.5
Other current and non-current assets	7.4	7.4
Current liabilities	(14.3)	(14.3)
Non-current liabilities	(6.7)	(6.7)
	48.3	**46.8**
Goodwill arising on acquisition		32.2
Total consideration		**79.0**
Deferred consideration		1.3
		77.7
Cash flow on acquisition		
Cash paid		77.7
Net cash outflow		**77.7**

Note 11: Acquisitions of subsidiaries and non-controlling interest (continued)

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. £9.8 million of the above goodwill is expected to be deductible for tax purposes.

There was £1.3 million contingent consideration arising on the above acquisitions.

The external acquisition costs associated with these transactions were £2.2 million, recorded within selling, general and administration expenses within the interim consolidated income statement.

During the six month period ended 30 June 2013 the Group made the following acquisitions:

Name	Region	Purchase consideration £m	Percentage of equity and voting rights acquired	Date of acquisition
Equity share capital business acquisition:				
MWB Business Exchange Plc	UK	49.4	75.22	20 February 2013

The remaining 24.78% MWB Business Exchange Plc share capital was subsequently acquired on 22 March 2013 for a purchase consideration of £16.3million.

In addition to the above, a further £24.4 million of purchase consideration was paid to complete a further three business and net asset acquisitions during the six month period ended 30 June 2013.

MWB Business Exchange Plc acquisition

On 20 February 2013, the Group acquired 75.22% of MWB Business Exchange Plc. The remaining non-controlling interest ("NCI") of 24.78% was subsequently acquired on 22 March 2013. The subsequent acquisition of this NCI was accounted for under the present-access method, resulting in an equity transaction of £16.3 million. The total purchase consideration for MWB Business Exchange Plc was £65.7 million.

£m	Book value on acquisition	Provisional fair value recognised on acquisition [2]	Final fair value recognised on acquisition
Net assets acquired			
Intangible assets	-	0.9	-
Property, plant and equipment	34.9	25.5	25.5
Cash	6.8	6.8	6.8
Other current and non-current assets	25.9	18.3	18.3
Current liabilities	(53.0)	(70.9)	(72.1)
Non-current liabilities	(23.1)	(11.6)	(11.6)
	(8.5)	**(31.0)**	(33.1)
Non-controlling interests (24.78%) recognised in the acquired net assets and liabilities of MWB Business Exchange Plc [1]		7.7	7.7
Goodwill arising on acquisition		72.7	74.8
Total consideration		**49.4**	**49.4**
Cash flow on acquisition			
Cash paid		49.4	49.4
Net cash outflow		**49.4**	**49.4**

Note 1 – The remaining NCI of 24.78% was subsequently acquired on 22 March 2014. This subsequent acquisition was accounted for under the present-access method, resulting in an equity transaction of £16.3 million.

Note 2 – Based on the audited financial statements for the year ended 31 December 2013.

The goodwill arising on the above acquisition reflects the anticipated future benefits Regus can obtain from operating the business more efficiently, primarily through increasing occupancy and the addition of value adding services. None of the above goodwill is expected to be deductible for tax purposes.

There was no contingent consideration arising on this acquisition.

The external acquisition costs associated with this transaction was £3.9 million, recorded within selling, general and administration expenses within the interim consolidated income statement.

From the date of acquisition to 30 June 2013, MWB Business Exchange has contributed a loss of £6.6m to the profit of the group. If the acquisition had taken place at the beginning of the year, the consolidated profit before tax of the Group would have been £28.9m and revenue from the continuing operations would have been £761.9m.

Note 11: Acquisitions of subsidiaries and non-controlling interest (continued)

Other small acquisitions

£m	Book value on acquisition	Provisional fair value recognised on acquisition [2]	Final fair value recognised on acquisition
Net assets acquired			
Intangible assets	**-**	0.3	0.3
Property, plant and equipment	11.3	9.5	8.9
Cash	6.4	6.4	6.4
Other current and non-current assets	9.3	7.2	7.2
Current liabilities	(15.8)	(13.6)	(13.6)
Non-current liabilities	(10.7)	(7.4)	(7.4)
	0.5	**2.4**	**1.8**
Goodwill arising on acquisition		55.3	55.9
Total consideration		**57.7**	**57.7**
Deferred consideration		0.9	0.9
		56.8	**56.8**
Cash flow on acquisition			
Cash paid		**56.8**	**56.8**
Net cash outflow		**56.8**	**56.8**

Note 2 – Based on the audited financial statements for the year ended 31 December 2013.

The goodwill arising on the above acquisitions reflects the anticipated future benefits Regus can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value adding services. £3.0 million of the above goodwill is expected to be deductible for tax purposes.

There was no contingent consideration arising on the above acquisitions.

The external acquisition costs associated with these transactions were £0.6 million, recorded within selling, general and administration expenses within the interim consolidated income statement.

Note 12: Events after the balance sheet date

There were no significant events occurring after 30 June 2014 affecting the condensed interim financial information of the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors approved this document on 26 August 2014.

The Directors confirm that to the best of their knowledge this unaudited condensed interim consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency Rules.

After making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing this Interim Management Report.

The Directors of Regus Plc are listed in the Group's Annual Report and Accounts for the year ended 31 December 2013.

A list of current Directors is maintained on the Regus plc website: http://www.regus.com/aboutus/leadership.htm

By order of the Board

Mark Dixon
Chief Executive Officer

Dominique Yates
Chief Financial Officer

26 August 2014

This half yearly announcement contains certain forward looking statements with respect to the operations of Regus. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

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Report of the Réviseur d'Entreprises agree on the review of the condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Regus plc ("the Company") as at June 30, 2014, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2014 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Other matter

We draw your attention to the fact that we have neither audited nor reviewed the corresponding figures of the Group as at 30 June 2013 and for the six-month period then ended, or any of the related notes, and accordingly, we express neither an audit opinion nor a review conclusion on them.

Luxembourg, 26 August 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Thierry Ravasio

Other Information

Segmental analysis – management basis (unaudited)

	Americas 2014	EMEA 2014	Asia Pacific 2014	UK 2014	All other segments 2014	Total 2014
Mature[1]						
Workstations[4]	102,313	42,454	44,212	35,336	-	224,315
Occupancy (%)	82.1	81.2	81.1	83.7	-	82.0
Revenue (£m)	284.9	147.6	104.5	109.8	0.7	647.5
Contribution (£m)	82.7	37.2	32.7	24.8	0.6	178.0
REVPOW	3,393	4,283	2,916	3,715	-	3,523
2013 Expansions[2]						
Workstations[4]	24,853	11,997	8,495	16,434	-	61,779
Occupancy (%)	62.1	63.0	51.5	83.9	-	66.6
Revenue (£m)	37.1	27.6	7.9	65.3	-	137.9
Contribution (£m)	(8.9)	2.0	(0.6)	14.5	-	7.0
2014 Expansions[2]						
Workstations[4]	2,035	2,768	2,339	6,803	-	13,945
Occupancy (%)	33.1	46.9	19.1	75.5	-	54.2
Revenue (£m)	1.8	3.4	0.8	10.5	-	16.5
Contribution (£m)	(2.3)	(1.6)	(1.9)	2.4	-	(3.4)
Closures						
Workstations[4]	383	375	270	662	-	1,690
Occupancy (%)	46.1	63.9	53.6	48.7	-	52.2
Revenue (£m)	0.3	0.6	0.3	1.6	-	2.8
Contribution (£m)	(0.7)	-	-	0.1	-	(0.6)
Totals						
Workstations[4]	129,584	57,594	55,316	59,235	-	301,729
Occupancy (%)	77.3	75.6	73.8	82.4	-	77.4
Revenue (£m)	324.1	179.2	113.5	187.2	0.7	804.7
Contribution (£m)	70.8	37.6	30.2	41.8	0.6	181.0
Unallocated contribution (£m)	-	-	-	-	-	(2.2)
REVPAW (£)	2,501	3,111	2,052	3,160	-	2,667
Period end workstations[5]						
Mature	102,830	42,867	44,845	35,974	-	226,516
2013 Expansions	24,976	12,382	8,592	16,344	-	62,294
2014 Expansions	3,888	8,483	5,953	8,723	-	27,047
Totals	131,694	63,732	59,390	61,041	-	315,857

Segmental analysis – management basis (unaudited) (continued)

	Americas 2013	EMEA 2013	Asia Pacific 2013	UK 2013	All other segments 2013	Total 2013
Mature[1]						
Workstations[4]	**103,083**	**42,099**	**43,038**	**36,159**	**-**	**224,379**
Occupancy (%)	**83.5**	**80.9**	**74.6**	**82.6**	**-**	**81.1**
Revenue (£m)	**308.1**	**158.8**	**110.3**	**104.4**	**0.9**	**682.5**
Contribution (£m)	**87.2**	**40.5**	**28.1**	**20.7**	**0.7**	**177.2**
REVPOW	**3,580**	**4,663**	**3,435**	**3,495**	**-**	**3,751**
2013 Expansions[2]						
Workstations[4]	**4,547**	**1,193**	**1,439**	**11,111**	**-**	**18,290**
Occupancy (%)	**51.5**	**39.4**	**11.8**	**81.0**	**-**	**65.5**
Revenue (£m)	**5.4**	**1.5**	**0.5**	**44.4**	**-**	**51.8**
Contribution (£m)	**(4.2)**	**(0.8)**	**(1.3)**	**10.2**	**-**	**3.9**
Closures[3]						
Workstations[4]	**1,535**	**1,125**	**273**	**800**	**-**	**3,733**
Occupancy (%)	**78.9**	**80.3**	**62.7**	**88.3**	**-**	**80.5**
Revenue (£m)	**2.7**	**4.7**	**0.4**	**2.6**	**-**	**10.4**
Contribution (£m)	**(0.5)**	**0.2**	**0.2**	**0.7**	**-**	**0.6**
Totals						
Workstations[4]	**109,165**	**44,417**	**44,750**	**48,070**	**-**	**246,402**
Occupancy (%)	**82.0**	**79.7**	**72.6**	**82.2**	**-**	**79.9**
Revenue (£m)	**316.2**	**165.0**	**111.2**	**151.4**	**0.9**	**744.7**
Contribution (£m)	**82.5**	**39.9**	**27.0**	**31.6**	**0.7**	**181.7**
Unallocated contribution (£m)	**-**	**-**	**-**	**-**	**-**	**(1.1)**
REVPAW (£)	**2,897**	**3,715**	**2,485**	**3,150**	**-**	**3,022**

Notes:

1. The mature business comprises centres opened on or before 31 December 2012.
2. Expansions include new centres opened and acquired businesses.
3. A closure for the 2013 comparative data is defined as a centre closed during the period from 1 January 2013 to 30 June 2014.
4. Workstation numbers are calculated as the weighted average for the period.
5. Workstations available at period end.