

# ANNUAL REPORT 2015





2015 ANNUAL REPORT

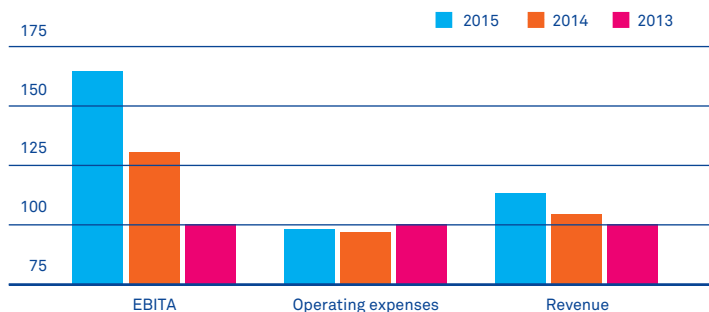
#### [FORWARD-LOOKING STATEMENT](#)

This annual report contains certain forward-looking statements regarding the financial situation and results of USG People N.V., as well as a number of associated plans and objectives. Forward-looking statements by their nature can provide no guarantee for the future. As a result of various factors actual results may differ from current expectations. These factors may include changes in tax rates, mergers and acquisitions, economic developments and changes in labour legislation. The forward-looking statements in this annual report are current at the time the report was adopted and provide no guarantees for the future. The annual report is available in Dutch and English. In the event of ambiguities, the Dutch text shall prevail.

# DEVELOPMENT OF FINANCIAL RESULTS

## FINANCIAL DEVELOPMENTS

indexed underlying results



Our underlying profitability improved sharply again in 2015. Underlying EBITA increased by 26.2% while revenue was up 8.3%. By effectively managing the operating expenses we saw the underlying EBITA margin improve to 4.3% of revenue (2014: 3.7%), continuing the positive development of profitability.

## REVENUE

In 2015 USG People posted a € 195.7 million or 8.3% year-on-year rise in revenue to € 2,550.7 million (2014: € 2,355.0 million). Acquisitions made in 2014 had a slight positive impact of 0.1% on growth. USG People outperformed the market, which grew by a combined 4.7% in

USG People's four core countries, meaning that our market share increased.

In 2015 there was growth virtually across the board. Revenue grew strongly in the trade sector (particularly among suppliers and in wholesale), in the industrial sector (mainly in the food industry) and in the corporate services sector (mainly at banks and insurers). The agricultural sector grew strongly and revenue also rose in the public sector. The construction sector was the only sector that did not grow in 2015.

## REVENUE BY COUNTRY

(in millions of euros)

	2015	2014	GROWTH
The Netherlands	1,110.8	1,015.8	9.4%
Belgium	685.7	618.8	10.8%
France	519.3	486.5	6.7%
Germany	232.6	225.9	3.0%
Other countries	2.3	8.0	-71.3%
<b>USG People</b>	<b>2,550.7</b>	<b>2,355.0</b>	<b>8.3%</b>

Revenue growth was achieved in all four core countries in 2015. Growth was the strongest in Belgium, where revenue rose 10.8% to € 685.7 million (2014: € 618.8 million). Start People grew 12.9% in Belgium, easily outpacing market growth of 9.2%. Unique, which is mainly focused on

## CONSOLIDATED RESULTS

(in millions of euros)

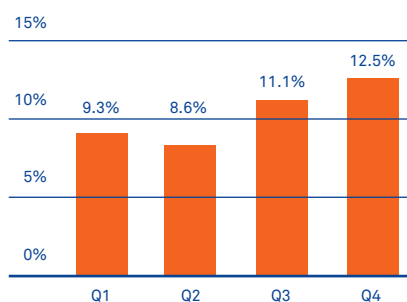
	UNDERLYING ►			NON-RECURRING ► <sup>1)</sup>		REPORTED	
	2015	2014	'15/'14	2015	2014	2015	2014
Revenue	2,550.7	2,355.0	8.3%	-	-	2,550.7	2,355.0
Gross result	520.6	492.1	5.8%	-18.0	-	502.6	492.1
Operating expenses	397.0	390.6	1.6%	14.9	8.8	411.9	399.4
Depreciation	14.2	14.8	-4.1%	4.8	4.4	19.0	19.2
<b>EBITA</b>	<b>109.4</b>	<b>86.7</b>	<b>26.2%</b>	<b>-37.7</b>	<b>-13.2</b>	<b>71.7</b>	<b>73.5</b>
Amortisation <sup>2)</sup>	3.8	6.4	-40.6%	4.1	-	7.9	6.4
<b>EBIT (operating result)</b>	<b>105.6</b>	<b>80.3</b>	<b>31.5%</b>	<b>-41.8</b>	<b>-13.2</b>	<b>63.8</b>	<b>67.1</b>
Net finance costs	-9.5	-7.2	-30.6%	-5.9	-2.3	-15.4	-9.5
Income tax expense	-30.2	-20.7	45.9%	4.8	-8.8	-25.4	-29.5
Result from subsidiaries	-0.1	-	-	-2.4	-	-2.5	-
Discontinued activities	-	-	-	-0.2	-1.7	-0.2	-1.7
Minority interests	-0.5	-0.5	-	-	-	-0.5	-0.5
<b>NET RESULT</b>	<b>65.3</b>	<b>51.9</b>	<b>25.8%</b>	<b>-45.5</b>	<b>-26.0</b>	<b>19.8</b>	<b>25.9</b>
Gross margin	20.4%	20.9%				19.7%	20.9%
EBITA margin	4.3%	3.7%				2.8%	3.1%

<sup>1)</sup> Non-recurring gross result and costs relate to one-off costs.

<sup>2)</sup> Amortisation concerns the depreciation of acquisition-related intangible assets, including goodwill.

specialist placements in the office segment, grew 8.3%. Revenue also increased by 8.3% at Secretary Plus and was up 2.0% at USG Professionals. Growth in revenue per working day picked up in the course of the year, from 9.0% in the first quarter to 12.5% in the fourth quarter

year-on-year growth in revenue per working day in Belgium

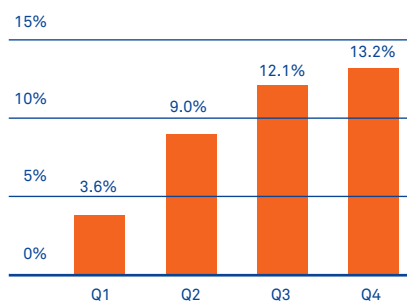


Revenue in the Netherlands increased by 9.4% year-on-year to € 1,110.8 million (2014: € 1,015.8 million). Start People posted revenue of € 620.8 million, a strong 12.8% increase compared to 2014. The rise outperformed the market where growth of 10.9% was reported by ABU, the Dutch federation of private employment agencies. Growth at Unique was more moderate compared to 2014. Revenue rose 5.5% to € 376.4 million. This increase was achieved against a high comparative figure in 2014, when growth was exceptionally high.

Growth at Secretary Plus accelerated considerably in 2015, with revenue rising 30.8% compared to 2014 as the upward trend that commenced in the final months of 2014 clearly developed positively.

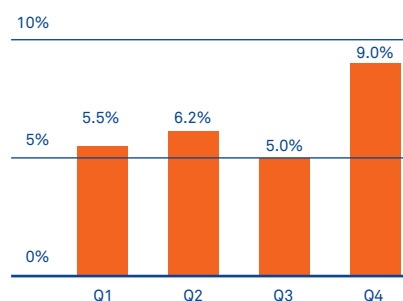
Revenue at USG Professionals was € 93.1 million in 2015, on balance virtually unchanged from the year before. Growth in finance as well as in marketing, communication & sales was around 20%. Revenue rose 13% in legal following a 28% rise in this segment the year before. Demand in engineering continued to lag, with revenue falling 10% compared with 2014.

year-on-year growth in revenue per working day in the Netherlands



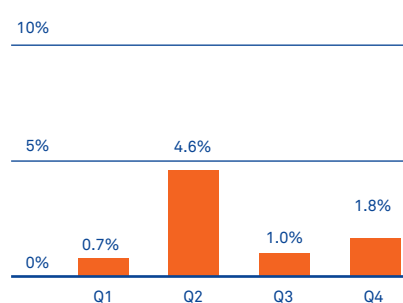
Revenue in France increased 6.7% to € 519.3 million (2014: € 486.5 million), outperforming the market which saw growth of 4.3%. The comparative figure for 2014 was high due to the relative high rate of growth at Start People last year. The organisation remained highly productive and highly focused on commerce. Start People's branch network expanded with three new branches in 2015 following the opening of five new branches in 2014.

year-on-year growth in revenue per working day in France



In Germany revenue rose 3.0% to € 232.6 million (2014: € 225.9 million). USG People outperformed the market which remained weak with only slight growth having been predicted for 2015. Unique and Secretary Plus focused their sales strategy partly on revenue growth in the administrative segment and in recruitment and selection. In 2015 this focus led to an increase in the number of placements of administrative personnel and relatively strong revenue growth from recruitment and selection. Revenue from recruitment and selection, which accounted for 0.9% of total revenue, rose 17.9% compared to the previous year. These two segments provide attractive potential for USG People in the German market. The launch of USG Professionals did not progress sufficiently in 2015 due to slow market development. The decision has been taken to discontinue these activities in their current form

year-on-year growth in revenue per working day in Germany



## REVENUE BY SEGMENT

(in millions of euros)

	2015	2014	GROWTH
General Staffing	1,571.3	1,419.0	10.7%
Specialist Staffing	826.2	787.2	5.0%
Professionals	144.1	142.6	1.1%
Online Business Solutions	9.1	6.2	46.8%
<b>TOTAL</b>	<b>2,550.7</b>	<b>2,355.0</b>	<b>8.3%</b>



From an operational point of view growth was the strongest in General Staffing. This segment, consisting of the star brand Start People in the Netherlands, Belgium and France, saw revenue grow 10.7% to € 1,571.3 million (2014: € 1,419.0 million). Start People increased its market share in all three countries in 2015. By focusing on the volume segment Start People was able to offer clearly distinct services to clients in this market segment, resulting in many contracts being won and new contracts being signed. Double-digit growth of 12.8% and 12.9% was achieved in the Netherlands and Belgium, respectively. In France, where the market is recovering somewhat slower, Start People grew 6.6%.

Specialist Staffing consists of the star brands Unique and Secretary Plus in the Netherlands, Belgium and Germany. Revenue in this segment increased by 5.0% to € 826.2 million (2014: € 787.2 million). Growth in this specialist segment was lower due to moderate growth in the German market and the termination of small-scale activities in the regions outside the core countries. Furthermore growth at Unique in the Netherlands underperformed the market following the exceptionally high growth achieved in the 2014. Total revenue at Unique in all three countries (the Netherlands, Belgium and Germany) rose 5.2%.

Total revenue at Secretary Plus rose by 11.7% in the core countries of the Netherlands, Belgium and Germany. Growth was the strongest in the Netherlands where the increase was 30.8%. Revenue in Belgium rose 8.3%. The activities of Secretary Plus in Italy, Switzerland and Austria were terminated in the course of 2015.

Revenue at USG Professionals increased by 1.1% to € 144.1 million (2014: 142.6 million). There were large differences in growth and in demand for the various profiles offered by USG Professionals. Growth was strong in legal and in marketing, communication & sales. There was a sharp

improvement in finance, particularly in the second half of the year. Despite some signs of improvement in the course of the year demand for engineers still lagged and engineering revenue dropped. In 2015 measures were taken to improve and a positive development is expected in this area in the short term.

The external revenue generated by Online Business Solutions (OBS) rose 46.8% in 2015 compared to last year. Growth was mainly attributed to acquisitions. Alongside ongoing external programmes the OBS units are working closely with the star brands on many large projects in various countries aimed at benefiting the growth strategy and digitisation of the USG People organisation. OBS consists of Adver-Online, Netwerven, and Connecting-Expertise, in which USG People holds a 51% stake.

## GROSS RESULT

In 2015 the underlying gross result rose by € 28.5 million or 5.8% to € 520.6 million compared to € 492.1 million in 2014.

The gross result as a percentage of revenue was 20.4% in 2015, half a percentage point lower year-on-year (2014: 20.9%). This lower gross margin percentage in 2015 was mainly a result of changes to the revenue mix. Revenue in the volume segment grew strongly at Start People at relatively lower margins whereas revenue from a few activities with a relatively higher gross margin grew less. Revenue declined at USG Restart (gross margin of 95.0%), for example, and revenue from recruitment and selection (gross margin of 100.0%) was lower in 2015. Revenue from recruitment and selection as a percentage of group revenue fell to 0.8% from 1.0% in 2014. This drop was partly due to the termination of activities that mainly consisted of recruitment and selection in regions outside the core countries. Revenue from recruitment and selection in the core countries rose 2.0% compared to 2014.

Price effects were also evident, both positive and negative. And there was pressure on prices for many large tenders as well as increased demand for cost-efficient solutions with a low gross margin, such as in-house and payrolling concepts.

In addition to the underlying gross result the cost price included a non-recurring charge of € 18.0 million in 2015. The largest part of this charge concerns an assessment from French social security authority URSSAF for 2009 and 2010, an amount that has been included in the financial statements since 2011 as a contingent liability. The assessment relates to tax and social security payments on the salaries of temporary workers that were assumed by URSSAF to have been incorrectly calculated. The non-recurring charge also related to optimisations at USG Professionals as well as non-recurring costs in relation to the spin-off of Vakcollege.

## OPERATING EXPENSESE

Underlying operating expenses including depreciation totalled € 411.2 million in 2015 (2014: € 405.4 million). Expenses rose € 3.5 million or 0.8% organically, with revenue rising 8.2% organically compared to 2014. The remaining € 2.3 million increase came from acquisitions. The rise in expenses was quite limited bearing in mind the 8.3% increase in revenue. The higher expenses relate to investments in growing Business Solutions and continue to facilitate the growth of highly productive business units.

Underlying costs as a percentage of revenue (including depreciation) improved to 16.1% from 17.2% in 2014. The cost level continued to improve due in part to project Optima which further optimised end-to-end processes within the organisation.

In 2015 the underlying costs were accompanied by non-recurring costs totalling € 19.7 million. These expenses include a software impairment of € 4.3 million. The expenses also relate to organisational improvement programmes and costs related to the intended takeover announced by Recruit in December. Other costs concerned the assessment for tax and social security payments in France for 2009 and 2010. Non-recurring costs totalled €13.2 million in 2014.

Expenses including the above-mentioned non-recurring costs amounted to € 430.9 million (2014: € 418.6 million).

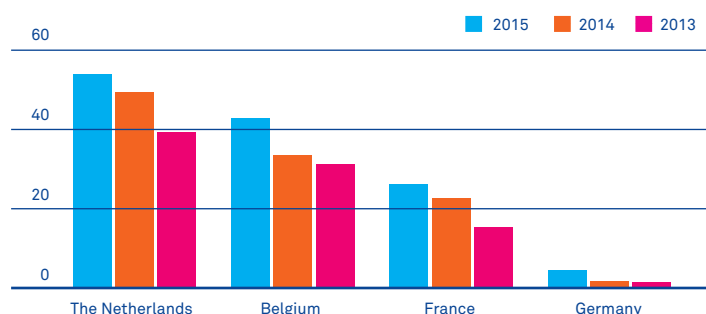
## EBITA

(underlying results)	EBITA IN MILLIONS OF EUROS			EBITA MARGIN	
	2015	2014	GROWTH	2015	2014
The Netherlands	53.6	49.1	9.2%	4.8%	4.8%
Belgium	42.5	33.4	27.2%	6.2%	5.4%
France	26.0	22.4	16.1%	5.0%	4.6%
Germany	4.3	1.7	152.9%	1.8%	0.8%
Other countries	-0.7	-3.0			
Corporate	-16.3	-16.9	3.6%		
<b>USG People</b>	<b>109.4</b>	<b>86.7</b>	<b>26.2%</b>	<b>4.3%</b>	<b>3.7%</b>

Underlying EBITA rose 26.2% to € 109.4 million (2014: € 86.7 million), while EBITA as a percentage of revenue improved to 4.3% (2014: 3.7%) due to effective cost management. The conversion ratio – i.e. the conversion of gross result to EBITA – rose to 21.0% from 17.6% in 2014. The underlying gross result rose by € 28.5 million in 2015 and EBITA increased by € 22.7 million – a strong incremental conversion of 80%.

EBITA including non-recurring results amounted to € 71.7 million in 2015 compared to € 73.5 million in 2014.

## underlying EBITA trend by country (in millions of euros)



## AMORTISATION OF ACQUISITION-RELATED INTANGIBLE ASSETS

Amortisation of acquisition-related intangible assets rose to € 7.9 million in 2015 (2014: € 6.4 million). Amortisation includes an amount of € 4.1 million for goodwill depreciation as a result of the transfer of Vakcollege, which was spun off under the name 'Stichting Vakmanschap in het Beroepsonderwijs' in 2015.

## NET FINANCE COSTS

(in millions of euros)	2015	2014
<b>Underlying net finance costs</b>	<b>-9.5</b>	<b>-7.2</b>
Revaluation of earn-outs	-0.6	-2.3
Interest on URSSAF liability	-4.6	-
Accelerated amortisation of finance expenses	-0.7	-
<b>Net finance costs</b>	<b>-15.4</b>	<b>-9.5</b>

The underlying net finance costs amounted to € -9.5 million (2014: € -7.2 million). This underlying financial result includes a € 1.6 million charge relating to costs on the sale of CICE receivables. Furthermore there was a € 0.4 million negative effect from the revaluation of the legally mandated long-term loan to the French government. In 2014 the revaluation of this loan had a positive effect of € 2.7 million.

Interest expenses fell due to a drop in market interest rates, the early repayment of a € 60 million subordinated loan on 23 September 2015 and lower costs on the financing facilities after the optimisation of the funding structure in October 2015. As a result of the refinancing an amount of € 0.7 million of recognised costs of old loans was amortised at an accelerated rate. In addition results were recognised for valuation changes to contingent considerations for acquisitions. Furthermore there was a non-recurring charge of € 4.6 million in 2015 relating to interest on an assessment for tax due and social security payments in France in 2009 and 2010.

The net finance costs for 2015 amounted € -15.4 million compared to € -9.5 million in 2014.

**INCOME TAX EXPENSE**

(in millions of euros)	2015	2014
Underlying income tax expense	-30.2	-20.7
Additional unrecognised losses	-14.6	-14.5
Unrecognised temporary differences		-2.0
Prior-year taxes	1.4	0.6
Offset of tax loss at associate	5.6	4.2
Tax on non-recurring results	12.4	2.9
<b>Total income tax expense</b>	<b>-25.4</b>	<b>-29.5</b>

Underlying income tax for 2015 was € -30.2 million (2014: € -20.7 million). Total reported income tax was higher as a result of additional unrecognised losses which amounted to € -14.6 million (2014: € -14.5 million). There were also a few positive effects totalling € 7.0 million (2014: € 4.8 million) as a result of taxes paid in previous years and the deduction of tax losses at associates. The tax on non-underlying results was € 12.4 million (2014: € 2.9 million). Total income tax amounted to € -25.4 million (2014: € -29.5 million).

**NET INCOME ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY**

Underlying net income rose to € 65.3 million from € 51.9 million in 2014. Reported results were impacted by non-recurring effects in both 2014 and 2015. Net income including non-recurring results totalled € 19.8 million in 2015 (2014: € 25.9 million).

**CASH FLOW****CONDENSED CASH FLOW STATEMENT**

(in millions of euros)	2015	2014	DIFFERENCE
Cash flow from operating activities	89.1	77.5	11.6
Income tax paid	-19.1	-6.4	-12.7
Investments	-20.5	-20.0	-0.5
<b>Free cash flow</b>	<b>49.5</b>	<b>51.1</b>	<b>-1.6</b>
Acquisitions and divestments	-6.8	-7.8	1.0
Interest expenses paid	-5.9	-7.9	2.0
Dividend paid	-13.0	-6.3	-6.7

The operating cash flow rose by € 11.6 million to € 89.1 million (2014: € 77.5 million). The rise was partly due to € 47.2 million from the sale of CICE receivables from the French government. Income tax paid was € 19.1 million (2014: € 6.4 million). In 2015 the rise in income tax was

mainly due to timing differences in assessments received in Belgium and a higher payment resulting from a higher pre-tax amount. Virtually all the income tax paid in 2014 relates to business tax in France. In 2015 an amount of € 20.5 million was invested in tangible and intangible assets. The level of investment was virtually the same as in 2014 when € 20.0 million was invested. The free cash flow totalled € 49.5 million compared to € 51.1 million in 2014.

On balance an amount of € 6.8 million was paid for acquisitions and divestments (2014: € 7.8 million). This mainly concerns investments in subsidiaries. Interest expenses paid fell further to € 5.9 million (2014: € 7.9 million). These expenses were lower due to a drop in the debt position and lower interest expenses on loans, partly as a result of the early repayment of a € 60 million subordinated loan. Furthermore € 13.0 million was distributed in cash dividend in 2015 (2014: € 6.3 million). The rise in the amount of cash dividend was due in part to the fact that an optional dividend was distributed in 2014 whereas in 2015 the dividend is paid fully in cash.

**BALANCE SHEET****CONDENSED BALANCE SHEET**

(in millions of euros)	2015	2014	DIFFERENCE
Fixed assets	772.9	810.0	-37.1
Income tax assets and liabilities	15.8	22.2	-6.4
Working capital	-119.5	-130.5	11.0
Shareholders' equity	487.1	478.9	8.2
Subordinated borrowings	-	58.7	-58.7
Net debt to financial institutions	128.2	91.0	37.2
Contingent considerations for acquisitions	6.2	7.7	-1.5
Derivative financial instruments	0.6	0.6	-
Provisions	47.1	64.8	-17.7
<b>Balance sheet total</b>	<b>1,281.9</b>	<b>1,221.2</b>	<b>60.7</b>

In 2015 the balance sheet total rose by € 60.7 million to € 1,281.9 million (2014: € 1,221.2 million). The increase was mainly due to revenue growth which resulted in a rise in receivables and working capital payables. On balance working capital rose € 11.0 million to € -119.5 million (2014: € -130.5 million). The amount of outstanding trade receivables sold (factoring) dropped to € 92.0 million in 2015 (2014: € 124.1 million).

Fixed assets declined in 2015, mainly due to a drop in the financial fixed assets as a result of the sale of CICE receivables. Receivables resulting from the CICE tax measure in France dropped from € 31.6 million to € 3.1 million. Goodwill and other intangible assets also declined due to amortisation.

Shareholders' equity rose to € 487.1 million in 2015 (2014: € 478.9 million). Total comprehensive income of € 20.9 million was added to shareholders' equity and there was a € 0.2 million adjustment to the share plan. The cash dividend payment of € 13.0 million for the 2014 financial year was deducted from shareholders' equity.

There was a further reduction in net debt in 2015, down € 21.5 million to € 128.2 million (2014: € 149.7 million).

On balance income tax receivables and liabilities fell by € 6.4 million due to a higher balance of current income tax receivables and liabilities. In addition on balance provisions fell by € 17.7 million mainly due to releases in connection with changes to the organisation.