



Annual report **2005**

Forward looking statement This annual report features specific projections regarding the financial situation and results of USG People N.V., together with a number of related plans and objectives. Self evidently, a projection does not entail certainty. A variety of factors can cause divergence from the expected results. These can include changes in tax rates, mergers and acquisitions, the economic climate and changes in labour legislation. The expectations outlined here were issued at the time the annual report was adopted and cannot offer any certainty as to the future.

This annual report is published in Dutch and English versions, whereby the Dutch version shall prevail in the event of ambiguities.

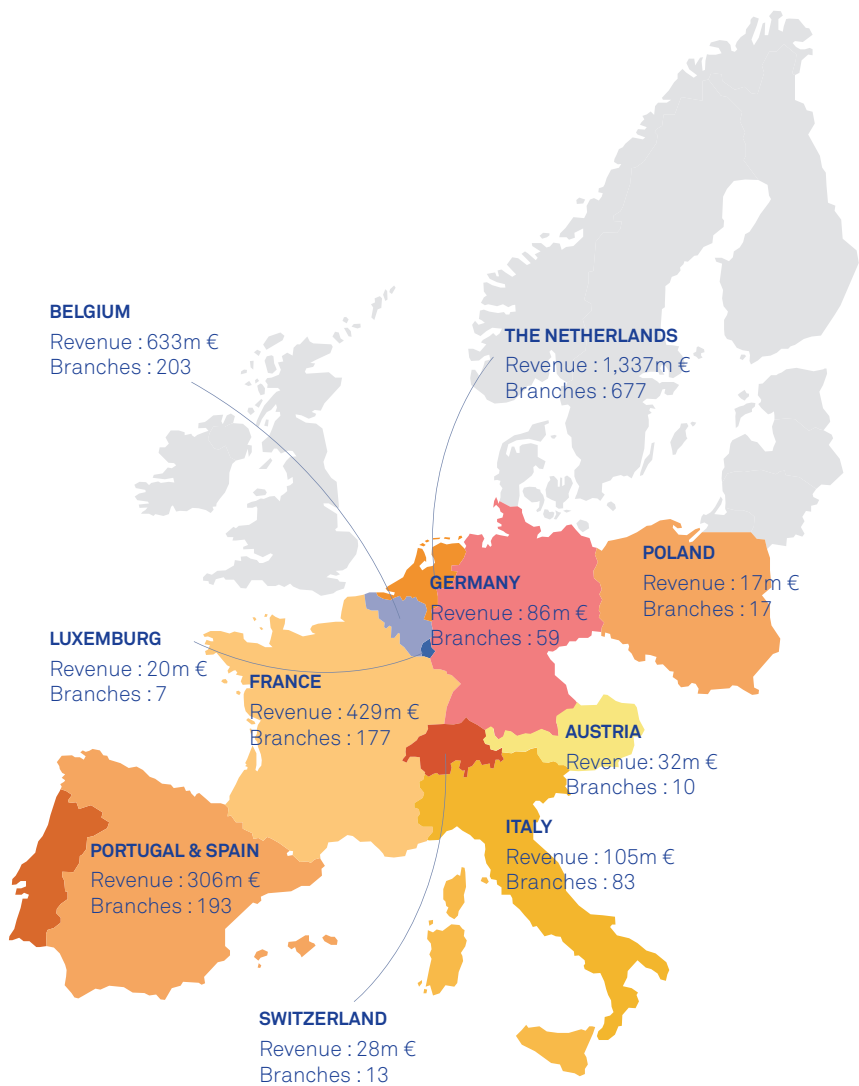
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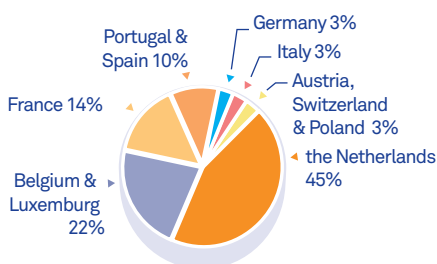


Open, committed and placing people at the heart of our business. Our logo symbolises our principles and ambitions. Whether we are dealing with our flex workers or our personnel, we strive to bring out the best in people every day and throughout their entire career. Our clients expect service that goes beyond the norm, and count on our continued involvement. The result of our efforts is a successful balance between the objectives of our clients and the individual ambitions of our candidates. In this way, we are able to achieve our business goals while maintaining our key socio-economic role in the community. Our logo is the point of departure for these principles.

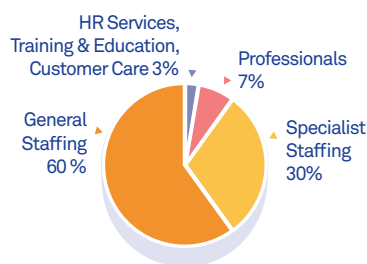
At a glance



REVENUE PER COUNTRY



REVENUE PER ACTIVITY



3 billion €
REVENUE*

130,000 FLEX WORKERS AT WORK EVERY DAY

7,700 CORPORATE STAFF

ESTABLISHED IN THE NETHERLANDS IN **1972**

1,400 BRANCHES

28 OPERATING BRANDS

11 COUNTRIES

- 6** ACTIVITIES
- ▶ GENERAL STAFFING
 - ▶ SPECIALIST STAFFING
 - ▶ PROFESSIONALS
 - ▶ HR SERVICES
 - ▶ TRAINING & EDUCATION
 - ▶ CUSTOMER CARE

European **TOP 5** PLAYER IN STAFFING AND HR SOLUTIONS

* pro forma revenue 2005

Key Figures

In thousands of euros unless otherwise stated

	2005	2004
Net revenue	1,977,609	1,300,250
Operating performance	91,056	38,978
Operating income	64,185	36,867
Amortisation and impairment intangible assets	17,473	9,161
Depreciation property, plant and equipment	15,804	16,063
Operating cash flow	114,974	46,927
Net income	21,077	24,189
Dividend	12,594	9,075
Equity	472,209	218,771
Investment in intangible assets	5,553	3,480
Investment in property, plant and equipment	11,586	9,073
Stock market value at year end	1,127,155	390,239
Total shares issued	31,484,766	22,688,317
Average numbers employed		
- indirect personnel	5,599	4,581
- direct personnel	58,480	37,597
Number of branches	1,439	652
Ratios as percentage *		
Operating performance / net revenue	4.6%	3.0%
Operating income / net revenue	3.2%	2.8%
Net income / net revenue	1.1%	1.9%
Profit distributed / net income	59.75%	37.52%
Equity / total equity	22.86%	36.18%
Per share in euros *		
<i>(based on total shares in issue at end 2005)</i>		
Net income	0.67	1.07
Operating cash flow	3.65	2.07
Dividend	0.40	0.40
Equity	15.00	9.64
Share price at year end	35.80	17.20
Highest share price	36.20	21.50
Lowest share price	16.95	11.07

** Comparative figures for 2004 may diverge from earlier publication due to adoption of IFRS.*

Report to the shareholders

Dear Shareholder,



In many respects 2005 was a year of new horizons for USG People. Our company realised rapid acceleration of revenue growth and profitability, and with the acquisition of Solvus we made an important step to substantiating previously sharpened-up growth ambitions. Hence, we have created a strong starting position in Europe, and given current economic prospects this should enable further improvement of results.

In 2005 USG People booked revenue totalling € 2.0 billion (2004: € 1.3 billion) with an operating income of € 91 million (2004: € 39 million).

Under current accounting regulations the contribution of Solvus may only be included as from 1 September 2005. However, to enable a meaningful comparison of the group's operational performance we have also calculated the results as if Solvus had been part of the group for the entire financial year. Pro forma revenue stood at € 3 billion (2004: € 2.8 billion) and the operating income totalled € 118 million (2004: € 74 million).

With both methods of calculation the result is reduced by a provision of € 21.5 million for non-recurring restructuring charges, € 3.5 million of which were included via costs for 2005. The gross margin stands at a very satisfactory 25.6%. Had Solvus been included for the whole of the financial year this would have been 23.7%. On the basis of the consolidated figures earnings per share totalled € 0.85.

This clearly evidences that the combination of USG and Solvus meshes in every respect, and we are not alone in this view. After a somewhat hesitant start the USG People share developed into a powerful out-performer, and during the past year analysts from leading banks and investment institutions unanimously issued a buy recommendation.

The combination of USG and Solvus offers many clear benefits. Together we rank among the top-five players in Europe and among the top-two in the Benelux region, with a strong multi-brand strategy, a far-reaching network in the most important flex-markets of Europe, and a well balanced portfolio making the company less vulnerable to cyclical developments.

An equally important strategic plus point is that the up-scaling we have realised means additional career opportunities for our personnel and flex workers, as well as potential for self development. Moreover, the company is now also more attractive to new talent and we have the professional basis for further growth.

2005 was also a special year for me personally. Last November 2005 our founder and major shareholder, Alex Mulder, decided that it was time to transfer day-to-day leadership, as CEO, to me. He will be nominated for membership of the Supervisory Board. Together with my new colleagues I shall ensure that the stated aims of USG People continue to be realised in the years ahead. We seek to be and to remain the most profitable company in our industry, as well as being the preferred employer. Given our experience I am sure that we will also achieve this in the next several years.

Lastly, I take this opportunity to thank our personnel for their efforts and flexibility during this period of integration, our clients for their loyalty and our shareholders for their confidence in USG People.

Ron Icke, Chief Executive Officer

General share information

Stock market listing

The ordinary share USG People is listed on Euronext Amsterdam (ticker symbol USG) and in 2005 was included in Euronext's Smallcap index (AScX). As from 2 March 2006 USG People has been part of Euronext's Amsterdam Midcap index (AMX). The share USG People is included in the Next150 index.

Share capital

At the end of 2005 issued share capital comprised:

	Total	Nominal value
Ordinary shares	31,484,766	€ 1
Options	158,366	€ 1

In 2005, the total of shares issued increased by 8,796,449 to 31,484,766 shares at the end of the year. Of these, a total of 8,614,233 shares was issued on 1 September 2005 to finance the acquisition of Solvus. The issue price was € 26.70. The other 182,216 shares were issued in 2005 as a result of exercised option rights.

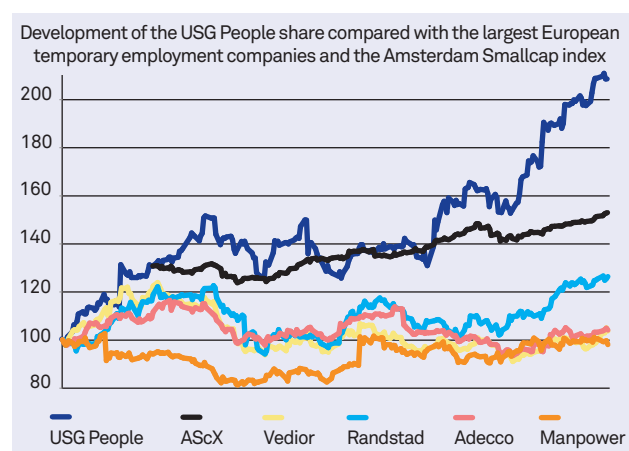
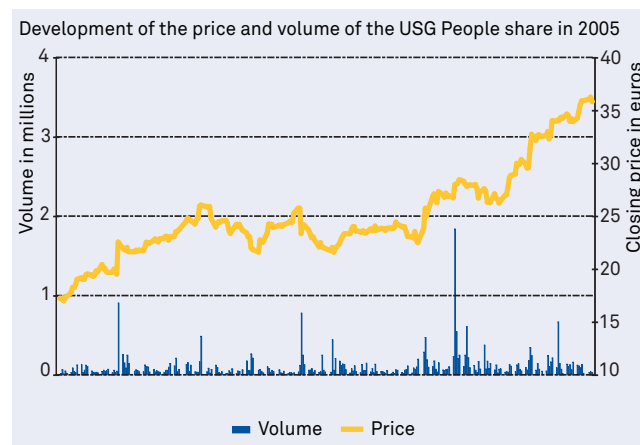
Earnings per share

Earnings per share, based on the average number, stood at € 0.85 for 2005.

2005 (IFRS)	2004 (IFRS)	2003
€ 0.85	€ 1.07	€ 0.65

Share price development

The USG People share price in 2005 rose from € 17.20 at the start of the financial year to € 35.80 on 31 December. Due to the strong rise in the price and an increase in the number of shares by just over 8.6 million, the market value rose from € 390 million to € 1.1 billion.



Information per share based on the average number of shares

	2005 (IFRS)	2004 (IFRS)	2003	2002	2001
Operating cash flow	4.62	2.07	3.29	2.25	1.93
Net income	0.85	1.07	0.65	1.14	1.95
Dividend	0.40	0.40	0.40	0.50	0.65
Dividend /net income (%)	47%	38%	62%	46%	34%

Disclosure of major holdings

The following were received pursuant to the Disclosure of Major Holdings in Listed Companies Act:

Hovu Beheer N.V.	30%
Smooenburg B.V. (name as from at 1 January 2006 Navitas B.V.)	5.39%

Securities holdings of members of the Executive Board

Ordinary shares	9,457,799
Options	28,000
Alex Mulder	
Shares	9,455,299
Options	14,000
Ron Icke	
Shares	2,500
Options	14,000

Securities holdings members of the Supervisory Board

None

Dividend policy

The objective of dividend policy is a dividend payout of approximately 1/3 of net income before amortisation. It will be determined on an annual basis whether the dividend can be taken by option in cash or fully in shares chargeable to the share premium reserve or to other reserves.

Profile

USG People comprises a group of strong brands jointly providing total solutions in the areas of staffing and HR services.

The main activities are flexible employment (general and specialist), HR services, training and customer care services.

With an annual revenue of € 3 billion, USG People ranks number five in Europe. The group is listed on Euronext Amsterdam.

Entrepreneurship is deliberately centred on the management and personnel of the operating companies. The service offerings and market approaches are deployed in line with professions and level of training.

Mission USG People provides all forms of flexible employment and a range of services around human resources, training and customer care. The one-stop shopping strategy is made possible by providing a wide range of services. USG People, as a provider of knowledge and capacity, focuses on quality, growth and profitability.

Vision As a group centred on people, our aim is to position the right talent in the right place. We see this as the driving force for all our personnel to give their very best. The ability of a company to be outstanding is largely determined by the creativity, input and commitment of its personnel.

Ambition USG People aims to be Europe's most profitable player in the staffing and HR market. We seek to realise this with a strong multi-brand portfolio with a meaningful balance between general and specialist services.

Strategic and financial objectives These are our most important strategic and financial objectives for the next three to five years:

- A further growth in revenue, both autonomously and through acquisitions
- An increase in the operating result before amortisation to a minimum of 6.5% of revenue
- General Staffing: productivity growth in the Benelux area and reinforcement of positions among others in Germany and Italy
- Specialist Staffing and Professionals: launch specialist service offering outside Benelux
- HR Services: reinforce existing positions in the Benelux area
- Ongoing development of new technologies to boost internal efficiency and matching strength, while expanding and enhancing service levels.

Social responsibility USG People and all its operating companies fulfil a significant role in society. Our core activities are meshing supply and demand in the employment market and providing specialised services around HR, training and customer care. Right through their careers people can turn to USG People for new professional challenges, coaching and training.

We take our social responsibilities seriously and for that reason we encourage our operating companies to play an active role in their national sector organisations. This ensures official recognition of our high quality standards. At the same time, we contribute to the adoption of meaningful regulations and social frameworks for the industry. We guarantee correct payments for all our temporary and project personnel; at the same time, we safeguard the rights of all our candidates. Equal treatment for all our personnel is the rule, notwithstanding origin, gender, age, faith or disability.

Activities



Also part of the group:

Training & Education: InterCollege and Luzac College (the Netherlands)
 Customer Care: Call-IT International (Belgium and the Netherlands) and Telecom Direct (the Netherlands)



General Staffing

USG People has a long track record in general staffing services.

We provide fast, flexible solutions for job-seekers and companies alike. We cover the European temporary employment market with our two international brands **Creyf's** and **Start**. Their service offering covers sectors including governmental, education, hotel and catering, construction, care, engineering, manufacturing, transport and logistics.

Specialist Staffing

Alongside general staffing services, USG People provides a wide range of

specialised flexible solutions. Areas covered include administration, financial, secretarial, call centers, technical and medical. The international brand names here are **Financial Forces**, **Secretary Plus** and **Unique**.

Professionals

Recruitment of high-grade specialists and seconded staff in areas including

construction, civil engineering, mechanical and electrical engineering, chemical and petrochemical, telecoms, ICT, communication, marketing, sales, HR and legal. **Beaver ITServices** and **Innotiv** are the international brand names for this activity.

HR Services

Customised HR solutions for recruitment & selection, direct search, assessment, career

supervision, coaching, HR consultancy, outplacement and reintegration. The international brand names here are **Accea** and **Carela**.

Training & Education

Accelerated secondary education and training for management, marketing

and communication positions in the Netherlands.

Customer Care

High-grade customer contact centers providing knowledge-intensive services around

sales, personnel recruitment, information, complaints and e-mail response.

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Brand overview

General Staffing

Creyf's (*branches in the Netherlands, Belgium, Luxemburg, France, Spain, Italy, Germany, Austria, Switzerland and Poland*). International temporary employment agency covering all market sectors. Creyf's also provides customised solutions with specialised divisions including Hotel and Catering, Industry & Technology, Logistics, Office, Construction, Senior experience, Students and via in-house branches with major clients.

Start (*branches in the Netherlands, Italy, Spain and Portugal*). General temporary employment agency active in temping, secondment, recruitment, selection and payroll services. Start also focuses on specific markets including transport and logistics, technics, hotel/catering, (medical) care, call centers, education and government.

Proflex (*branches in the Netherlands*). In-house organisation of flexible employment at client organisations.

Specialist Staffing

Ad Rem (*branches in the Netherlands*). Temporary employment agency specialised in commercial functions and managers starting out in business services. HBO Services (part of Ad Rem) is positioned in colleges from where it mediates for students and graduates.

Content (*branches in the Netherlands*). Specialist in recruiting and selecting permanent and temporary office personnel with secondary or higher education. Content stands for rapid reaction, quality and clear agreements. The company is a strong specialist in administrative, financial, secretarial, commercial and call center functions.

Express Medical (*branches in Belgium*). Focuses on temporary employment, recruitment, selection and secondment of personnel in the medical, para-medical and nursing sector. Express Pharma (a specialised division of Express Medical) focuses on temporary employment, recruitment, selection and secondment of personnel in the pharmaceutical sector.

Financial Forces (*branches in Belgium and France*). Total provider for temporary employment, recruitment, selection and secondment for all levels of personnel in the financial sector. The specialised divisions Finance & Accounting and Banking & Insurance provide personnel for the accounting, financial, banking and insurance sectors.



Medi Interim (*branches in the Netherlands*). Specialist temporary employment, secondment and payroll services in the medical sector.

Secretary Plus (*branches in the Netherlands, Belgium and Germany*). Specialist in mediating, supervising and training secretaries and management support personnel.

StarJob (*branches in the Netherlands*). Specialist in temporary employment, secondment, recruitment and selection of secretaries with a minimum of three years of work experience. StarJob deploys its specialised division, S&C Select, for recruitment and selection of top secretaries and mediation for freelance executive assistants.

SYS (*branches in Spain*). Outsourcing in the administrative, commercial and industrial segments, plus human resources consulting services.

Technicum (*branches in the Netherlands*). Temporary employment and secondment of technical personnel trained with lower or secondary technical education.

Unique (*branches in the Netherlands, Belgium, Germany and Spain*). Unique provides all types of flexible personnel while concentrating on office staff. Unique aims to be the most important partner for small and medium-sized enterprises. Unique's offering is notable for a personal approach and customised solutions, with the focus on people.

Professionals

Beaver ITServices (*branches in Belgium, the Netherlands, Luxemburg and France*). IT-service provider specialised in personnel and organisation solutions. The secondment section focuses on application development (Microsoft.Net, Java/J2EE, Mainframe and Midrange), infrastructure and system management, and ERP.

HR Forces (*branches in Belgium*). Supports organisations in developing professional personnel policy via secondment of human resource professionals. Service offering covers temporary replacement, recruiting and selection of permanent HR-specialists, structural outsourcing of HR and HR sub-processes, plus support of start-up and transitional organisations.

Innotiv (*branches in the Netherlands and Belgium*). Specialised in implementing technical projects. Innotiv provides techno-knowledge and capacity solutions on both a secondment and lump sum basis (part of the client-risk can be taken over). Innotiv's personnel have a technical/environmental background at secondary, higher or college level.

Legal Forces (*branches in Belgium*). For and by the legal profession. Active in recruitment and selection of lawyers, legal interim management and legal projects.

United Technical Solutions (*branches in the Netherlands and Belgium*). Technical project sourcer focussing on construction, civil engineering, mechanical engineering, electro-technology, ICT, ROBM (Spatial planning, Construction and Environment) and chemicals. Works with higher educated technical specialists.

United Technical Solutions Energy (*branches in the Netherlands, Germany and UK*). Technical specialist in projects and secondment in the oil/gas and shipping industries, plus related engineering practices.

USG Capacity (*branches in the Netherlands and Belgium*). Recruitment, selection, interim management and support of higher-trained communication, marketing and sales professionals (minimum three years work experience).

HR Services

Accea (*branches in Belgium, France, Spain, Austria and Switzerland*). Provides integrated human resources solutions for regular personnel. Accea's three specialities are recruitment and selection of regular personnel, assessment and consultancy on human resources.

Carela (*branches in the Netherlands, Belgium and France*). Total offering for career guidance. This comprises outplacement (individual and collective), inplacement, assessment and coaching. Carela provides personnel with professional guidance through a customised programme in line with client requirements.

United Restart (*branches in the Netherlands*). Specialist in job coaching, outplacement and reintegration.



United MarketPlace (*international provider based in the Netherlands*). Innovative internet solution to support organisations for faster, more economic and intelligent purchasing and planning for flexible personnel. The offering also covers structuring and standardisation of communications between clients, flex workers and temp agencies. Potential costs savings, efficiency, control and transparency are drawing an increasing number of USG People's clients to United MarketPlace.

Training & Education

InterCollege (*the Netherlands*). College-equivalent business school for training in management, marketing and communications functions.

Luzac College (*the Netherlands and Curaçao*). Secondary education.

Customer Care

Call-IT International (*branches in the Netherlands and Belgium*). Client contact center that provides total, customised solutions in all forms of outsourced client contact. Offering includes helpdesks, marketing campaigns, customer care, loyalty programmes, call center training and back office & fulfilment activities.

Telecom Direct (*branch in the Netherlands*). Client contact center with a broad service offering for a cross-section of the Dutch business community. Included here are incoming and outgoing telephony, call center training, e-mail marketing, process supervision and consultancy.

We believe in...

Strong brands USG People comprises a group of brands all of which are strongly positioned in their markets. Each brand offers focussed staffing and HR solutions founded on its own expertise. Based on independent marketing and sales initiatives, they forge strong links with a specific target group. The multi-brand portfolio ensures that every brand can expand its identity while forming an integral part of the group, ranking number five in Europe.



Talent First and foremost, success at USG People is thanks to the people who work here, and to their drive and commitment. Added together, their qualities and mind-sets create a very special corporate culture at USG People. The women and men here have their hearts in the business and their organisation. People are at the center of everything we do in our industry. We seek to bring out the talents of every individual as fully as possible. That goes for our flex workers and our own personnel. To this end, USG People provides a wide range of training programmes for management and personnel. The objective is to develop individual talent and specific business skills. The fact that USG People operates across a broad HR front means that the group offers numerous professional career opportunities to match the talents and aspirations of every employee, both nationally and internationally. Lastly, we also aim to keep our employees within the group with incentives such as bonuses and shares. The aim here is to strengthen commitment to our growth strategy.



believe

Exchange Within the group we aim for a maximum sharing of expertise. We do this by bringing people together and optimising information flows. Every year there is an international management meeting for the full management of all operating companies. The agenda sets out strategic lines, while participants exchange ideas relating to the shared vision. We also organise regular international knowledge-sharing workshops with persons from various operating companies and a range of functions. In addition to sharing operational information, the gatherings feature briefings on new concepts and developments in the staffing markets. We also brainstorm on technological advances, innovative projects, new recruiting channels, sales support campaigns and market trends. Besides passing on information, this also creates synergetic effects.



Art Art motivates, inspires and creates a “feel-good” environment. Art is a distinguishing element in both the image and internal culture of USG People. Art in offices motivates personnel and creates a pleasant working ambiance. The clients of USG People and its operating companies also appreciate the thought given to art. Instead of standard end-of-year presents, they receive lithographs and art-related gifts. To mark the end of 2005, clients and personnel received an exclusive range of gifts created by the Spanish artist Miguel Ybañez, specially commissioned by USG People.



Transparency As a publicly listed company, we aim to contribute to correct valuation of our company by providing relevant information for the capital market, investors and other stakeholders.



Synergy All national operating companies use the services of the country's shared back office-organisation for finance, ICT, management information as well as legal and facility. This powerful operation enables lower costs and greater efficiency. These Shared Service Centers have a mainly supporting and initiating role.

USG People has also made a strategic decision to boost cooperation with major European clients. In this respect, the Corporate Accounts department acts as commercial knowledge center and plays a central role in drafting cooperative agreements. Multidisciplinary corporate account teams are formed for all new key accounts. These teams include specialists covering all relevant areas. The approach ensures flexible implementation of contracts for the client, plus systematic supervision of day-to-day matters and regular evaluation of the service level agreements.



Innovation Innovation is a strategic priority at USG People and heads the agenda of all personnel. We constantly seek new concepts, better processes, new recruitment channels and innovative sales support campaigns.

The annual Innovation Award makes a significant contribution to this aspiration. The award is given

believe

for an innovative concept that must operate for at least three months and clearly demonstrate that it can yield a competitive advantage with the potential to contribute to sustainable, profitable growth. It must also be suitable for implementation by other operating companies of the group. This approach is designed to lever the creativity of our personnel while stimulating innovation and enabling growth. In 2005 the Innovation Award was presented to Content for the 'Content FlexAcademy', developed on a customised basis. The objective here is the further reinforcement of commercial strength by improving knowledge, competencies and behaviour of own personnel.

The USG Innovation Platform (set up in 2002) also plays a significant part in our innovation strategy. This platform offers clients and market parties the opportunity to exchange knowledge and experiences relating to flex work and HR services. The Innovation Platform has developed into a full-fledged instrument to maintain direct contact with clients and to design innovative services. The HBO Services project mediates for students, finding course-related temporary work. This is one of the projects emerging from the Innovation Platform in 2005.



Report of the Supervisory Board

Once again the Supervisory Board of USG People N.V. takes pleasure in presenting the report for the year 2005 prepared by the Executive Board. PricewaterhouseCoopers Accountants N.V. audited and approved the financial statements; the auditors' report is included on page 146.

The Supervisory Board submits the financial statements for adoption by the General Meeting of Shareholders. The Supervisory Board proposes adoption of the financial statements, approval of the dividend proposal, and discharge of the Executive Board for its policy as implemented and the Supervisory Board for its supervision thereof.

As in 2004, the Executive Board proposes a dividend of € 0.40 per share, wholly in cash. This proposal is specified further on page 147.

During report year 2005, the Supervisory Board met frequently with its full membership. During the period under review, there were five regular meetings with fixed items on the agenda including strategy, financial developments, internal risk management and control systems, HR policy and the budget. These meetings also discussed amendments to the articles of association for the new statutory structure, and the change of name from United Services Group N.V. to USG People N.V.

The last amendment to the articles of association was approved by the Extraordinary General Meeting of Shareholders on 1 July 2005.

Self-evidently the most important topic in 2005 was USG People's intended acquisition of Solvus. The Supervisory Board considered this in four meetings, with full membership, and during a number of additional phone conferences. The Supervisory Board was kept informed, sufficiently and proactively on the progress of this transaction and it shares the analysis of the Executive Board that a combination of the two organisations will yield sufficient synergetic benefits and benefits of scale to ensure the continuity of the company in the longer term.

Hence, the Supervisory Board approved the acquisition and the manner in which it was organised and financed. The acquisition of Solvus means that many of USG People's previously formulated strategic objectives are being realised considerably faster.

Another topic during discussions with the Executive Board was the study of the potential benefits of a one-tier board structure. The Supervisory Board took the view that such a structure would not necessarily lead to improved supervision and greater transparency.

After careful consideration of the advantages and disadvantages for USG People, the Supervisory Board – in consultation with the Executive Board – took the decision not to alter the two-tier board structure.

The Supervisory Board and the Executive Board discussed at length the further details of directorships in regard to the intended acquisition of Solvus.

Mr. Alex Mulder announced that, after the acquisition of Solvus, he wished to distance himself more from the day-to-day management of the company and to step down from his function as CEO. During a period of 33 years, Mr. Mulder, together with many colleagues, built up USG People N.V. to become what it is today, a top-five player in the European flex market.

His contribution to the company can hardly be overestimated, and the Supervisory Board is most grateful to him. Until his appointment to the Supervisory Board, Mr. Mulder will continue to act as chairman of the Executive Board.

The Supervisory Board has appointed Mr. Ron Icke to the position of Chief Executive Officer (CEO). The Executive Board will further comprise Mr. Alain Dehaze (intended COO) and Mr. Rob Zandbergen (intended CFO).

The Supervisory Board is convinced that, together with the CEO, the new executive directors, who have been nominated, have the right management qualities. In the opinion of the Supervisory Board, both management bodies, the Executive Board and the Executive Committee, are adequately equipped not only successfully to carry out the integration of Solvus, but also to optimally take advantage of (growth) opportunities that arise in various countries.

For USG People, the acquisition of Solvus in mid-2005 meant far-reaching changes in terms of size and complexity. Partly with this in mind, the Supervisory Board considered it desirable to review the remuneration package of the Executive Board. The new remuneration policy will be submitted for approval of the shareholders at the General Meeting of Shareholders on 9 May 2006.

In addition to the basic salary, as of 2006 a bonus is foreseen that will be linked to the annual results. This bonus will amount to a maximum of 2 per mil of the group's EBITA, whereby 1 per mil will be linked to the realised EBITA and revenue growth in proportion to the previously set budget and 1 per mil calculated on the realised EBITA. A reduction on the total bonus is possible where the DSO-target (days sales outstanding) is not realised.

Further, the remuneration will comprise a variable payment in the form of shares, which will be linked to previously set, clearly quantifiable and challenging long-term objectives regarding revenue targets and the EBITA margin to be realised.

Any shares to be granted will be provisionally granted in line with realisation of revenue growth and EBITA objectives during periods of three years. The grant will become unconditional where the member of the Executive Board is still employed by the company after three years.

More information on remuneration policy is available in the remuneration report that can be consulted on the website of USG People.

Other matters submitted to the Supervisory Board for consideration were the progress of integration of the Shared Service Centers and the implementation of the automation systems. In the case of all dossiers, the Supervisory Board ruled that the progress previously noted by the Executive Board had been realised, whereby the stated integration route could be continued unchanged. The Supervisory Board emphasised that, with the acquisition of Solvus the integration issues around combined back offices and standardisation of ICT systems in particular, should have the highest priority.



During the report year 2005, the Supervisory Board met in closed sessions, without the Executive Board, on a number of occasions. During these meetings the Supervisory Board separately discussed matters including its own functioning as a body and the functioning of the individual members.

In the absence of the Executive Board the Supervisory Board also separately discussed the composition and functioning of the Executive Board as a whole and the functioning of the individual members.

In regard to the functioning of the actual Supervisory Board, it can be established that all members fulfilled their attendance obligations and made a positive contribution to decision forming.

All members of the Supervisory Board are independent in the sense of the Corporate Governance Code. All members of the Supervisory Board fulfilled their tasks in regard to audit matters. Hence, the Supervisory Board consulted with the external auditor and it was established that no irregularities had been identified.

The period in office of one of the members of the Supervisory Board, Mr. Van Heijningen Nanninga, came to an end in 2005. On 12 May 2005, the General Meeting of Shareholders unanimously accepted the proposal to reappoint Mr. Joost van Heijningen Nanninga. In view of his increased international activities, Mr. Marc Battaille de Stappens de Nieuwenhove requested the Supervisory Board to end his membership effective May 2005. However, he remained as an advisor to the company during 2005, for which the Supervisory Board thanks him.

The period in office of three members of the Supervisory Board, Mr. Cor Brakel (chairman), Ms. Marike van Lier Lels and Mr. Bert de Vries, will come to an end in 2006.

In view of the increasing size of the company, the Supervisory Board wishes to increase the number of its members to five.

To this end, the Supervisory Board has consulted with Mr. Christian Dumolin (former Supervisory Director of Solvus), who is most willing to join the Supervisory Board. The Supervisory Board expects that this highly experienced executive director and entrepreneur will make a valuable contribution to the company as a whole, in particular given his knowledge of Solvus N.V.

At the General Meeting of Shareholders on 9 May 2006, the Supervisory Board will (re)nominate Mr. Cor Brakel and Mr. Alex Mulder for a period of four years. Furthermore, the Supervisory Board will (re)nominate Ms. Marike van Lier Lels and Mr. Christian Dumolin for a period of two years.

This 'reduced term in office' is due to the fact that the Supervisory Board seeks a more even balance of periods in office. This reflects the wish to ensure the continuity of the Supervisory Board.

In view of his wish to reduce his activities, Mr. Bert de Vries has made it known that he will not be available for re-election. The Supervisory Board expresses particular thanks to Mr. De Vries for the manner in which he served for four years, whereby his knowledge of the Start companies, acquired in 2002, was of particular value.

Lastly, the Supervisory Board emphasises that contacts with the Executive Board of USG People during the year under review were both open and constructive. The Supervisory Board thanks everyone involved at USG People for the commitment, flexibility and involvement shown in 2005. This mind-set is largely responsible for the positive result in 2005.

Almere, 16 March 2006.

Supervisory Board

Cor Brakel, chairman

Joost van Heijningen Nanninga

Marike van Lier Lels

Bert de Vries

Report of the Executive Board

Key developments in 2005

USG + Solvus = USG People The agenda for 2005 was determined by the acquisition of Solvus by USG People. Not only does the combination now rank among the top European suppliers of flexible personnel, but the growth strategy sharpened-up earlier in the year was accelerated by at least three years.

As early as May 2005 the Executive Board of USG People announced the need for a more ambitious route to growth. To ride the wave of consolidation in the European flex markets as an independent supplier of flexible personnel, training and customer care services, while at the same time maintaining the level of gross margins, revenue in the next three to five years would have to grow to € 2 billion, partly autonomously and partly by acquisitions.

In the quest for suitable acquisition candidates it was only logical that USG approached the largely comparable and complementary Solvus. Rumours of a possible alliance had been circulating in financial circles and the temporary employment industry for some time. But this had not progressed further than orientation meetings and in particular talks between colleagues.

The fact that the parties now joined together so fast in such a good atmosphere is largely due to the fact that Solvus's head office in Antwerp had reached a similar conclusion to their fellow executive directors at USG People. Over the past several years Belgium's third largest temporary employment company had been successfully restructured. The internal organisation had been streamlined, the balance sheet reinforced, and the operating costs significantly reduced. When this financial restructuring operation entered calmer waters in early 2005, and the enhanced commercial focus began to pay off, it fitted with the mapped out market strategy to find a suitable acquisition partner for the company's next growth stage. To this end a definite agreement was signed in August 2005 whereby Solvus was sold to USG People for an acquisition sum of € 585 million.

'It felt as if we had bought the neighbour's house,' was the comment by Ron Icke, who as the newly appointed Chief Executive Officer had to supervise the integration and further expansion of USG People. 'Everything felt familiar, and before long you knew your way around. And you have so much potential at your disposal to grow some more together, to hire new talent and give existing qualities the space to develop further. We now have a growth platform that will yield a lot of added value during the years ahead – for all our stakeholders, clients, personnel, flex workers and shareholders.'

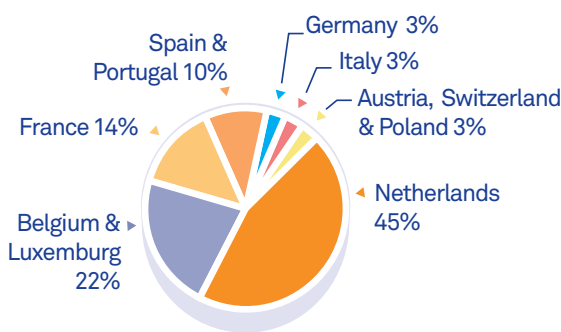
Perfect fit Between the partners USG and Solvus there is indeed an almost perfect fit. To start with, in terms of size the combination now ranks among Europe's top providers of flexible employment formulas. With a joint revenue of € 3 billion (based on the accumulated results of both companies in 2005) realised by 7,700 permanent employees and 130,000 flex workers deployed every day, USG People now ranks fifth in Europe in the relevant specialities.



Another plus point of the combination, alongside up-scaling, is a more balanced geographic spread of activities. USG People has just over 1,400 branches in eleven countries, and the shared network slots in neatly with the current and expected dynamic of Europe's flex markets.

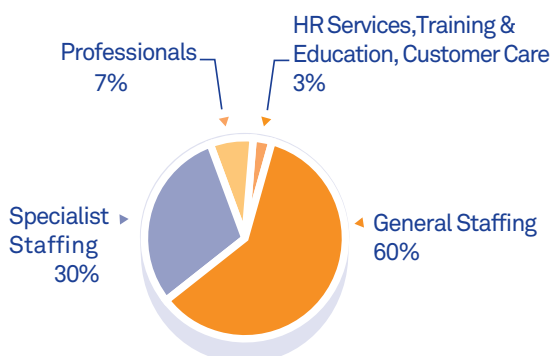
In the mature markets of Belgium, the Netherlands and Luxemburg, measured by revenue USG People is the second largest player. Meanwhile in the strongly developing Spanish economy, the combined operation has reached the top-three status. Furthermore USG People has increased scale in Europe's three biggest economies – Germany, France and Italy. This will enable the company to grow along with rising demand for flexible labour from clients who increasingly prioritise key competencies. The group also put down a firm bridgehead in Austria, Switzerland, Poland and Portugal.

With the base of operations in Europe now reinforced and expanded, the various markets are being reached in a similar way. In the past, both partners were already notable for a multi-brand strategy, and the same applies to USG People. This market approach aims to have brands with strong identities and positions in specific market segments – flourishing side by side. Meanwhile the support services are merged to reap the benefits of the group's scale. USG People's clustered brand portfolio comprises 28 brands, each with its own name-awareness, its own windows into its specific market specialities, and all clearly recognisable for both clients and candidates.



Economic cycles An additional synergetic benefit is further reduction of vulnerability to economic cycles. The general staffing component in the Solvus portfolio has always been comparatively strong. This is rooted in Creyf's, a general staffing operation which burgeoned by serving clients mainly in Belgium's industry and manufacturing sectors. With that country's de-industrialisation process underway, there was a growing need for the company to shift to the speciality sector with its higher margins. Meanwhile USG People was making an opposite manoeuvre. To reduce vulnerability to economic ups and downs in the late cyclical segment, several years ago - alongside the specialist activities and secondment of professionals - the company bought Start.

Put together, the activity portfolios now present a very balanced picture. 60% of income is generated from activities in general staffing, specialist staffing contributes 30%, the professional segment provides 7%, and the other activities complete the picture with 3% (HR services, training & education and customer care services). 'All in all we have meaningfully reduced the sub-scale effects suffered by both companies prior to the acquisition,' says intended CFO Rob Zandbergen. 'The group has acquired a European dimension and personality. We are positioned to benefit above average from growth developing in European flex markets. And we can still



book respectable margins in a less favourable economic climate.’

Similar structures The strategic match looks good from every angle, but the partners are also highly complementary on the operational and intangible levels. Corporate structures match and each company operates from a central head office with a national branch network. Meanwhile, most back office-activities are efficiently handled by Shared Service Centers (SSCs). The two cultures of Solvus and USG also slot together smoothly, and this is probably the main precondition for a successful integration within a people business. Personnel at both companies share key qualities. These include a high level of involvement, an entrepreneurial spirit, passion, openness, respect, and a sense of responsibility for one’s colleagues and for their social and business environments. ‘And this is the best guarantee that our combination will deliver added value – in every way, for everybody,’ is the unanimous conclusion of brand-new colleagues Ron Icke (CEO), Alain Dehaze (intended COO) and Rob Zandbergen (intended CFO).

First synergetic benefit realized

An integration plan was in position immediately following the announcement of the acquisition of Solvus. This set out exactly how the two organisations would join up under the flag of USG People, and the schedule.

USG and Solvus had a long track record of acquisitions and from first hand experience they knew the importance of proper preparation and a dynamic approach for actually securing the synergetic benefits identified in advance. 'The first hundred days are usually decisive for the success of an integration,' says Alain Dehaze who, as intended COO and future member of the Executive Board, is jointly responsible for the integration process. 'There's the momentum for change. This is where everyone is particularly open to organisational change or a new approach. That's why we got to work right away.'

The stake is substantial: as early as financial year 2006 the saving will total at least € 5 million and as from 2007 operating costs have to be reduced by € 30 million annually. And this yield does not yet include secondary synergetic effects in the longer term. This would include exchange and further development of best practices to enhance commercial strength, plus refining the positioning of various brands.

Orderly process

At face value, the integration of USG and Solvus is an orderly process. The two companies share similar organisational structures and brand strategies. Size and profitability are largely the same and the international networks in most countries mesh quite neatly. Moreover, the corporate cultures conform enough to enable a shared language before long.

For all these reasons the chosen approach to integration was to conserve and preserve. This meant merging as many general and facility processes as possible, without affecting the autonomy of strategically important business units.

For USG People this meant starting to combine back office activities in the five countries where the two organisations have Shared Service Centers. In the Netherlands, Belgium, Spain, Italy and Germany work pressed ahead to cluster all national support activities into a single location per country. Branch locations have been selected so that the Dutch and Belgian Shared Service Centers (SSCs) will be concentrated in Almere and Antwerp respectively, and the other SSCs will be located in Madrid, Milan and Munich.

In 2006, these integrations will only yield modest benefits, but as from 2007 the result will be more substantial. With the acquisition of Solvus and upward revenue, the operational costs as a percentage of revenue have by now reduced considerably, totalling 19.8% on a pro forma basis in 2005 (2004: 21.1%). Alongside the physical integration of both back office organisations, work proceeds on realising uniformity and streamlining of ICT-systems and processes. To take an example, in the Netherlands both organisations already use the Flex Management System (FMS) as a platform for back office activities. In the future this platform will also be used for front office activities. This is a logical choice given the further development of the group.

A further aspect of realising primary synergetic benefits is the ending of 'double-headed' functions. Alain Dehaze: 'We have worked out broad ideas on the potential savings here. But, I have to stress that this will not be done at the cost of jobs. We are in a growing marketplace, and on top of this the existing tasks often require a different outline. So, what we lose in the way of superfluous functions on the one hand, is amply compensated elsewhere in the organisation with the creation of new jobs. This year with the market situation unchanged, USG People will again be hiring new people, while career prospects for our current personnel in this enlarged organisation will receive a positive boost.'

28 brands living apart together

One of the most important synergetic effects of combining USG and Solvus is that both companies believe in the power of a multi-brand strategy. The combination's eleven national markets have a total of 28 brands covering the various segments. They include strong internationally operating brands like Creyf's, Secretary Plus, Start and Unique, as well as brands with a mainly local personality, including Content and Express Medical.

There is minimal overlap in the brand portfolio while the benefits compared with a one-brand approach are massive with individual brand personality for clients and candidates alike.

The power of the combination is best summed up in the centralisation of visible and less visible back office activities. As Alain Dehaze puts it: 'Our brands live apart but together. Front office stands for 'apart' and back office for 'together'.

Operating margins

The chosen strategy will contribute to a further enhancement of operating margins. This will be evidenced by the benefits of scale from centralised support activities.

In addition this will release potential to invest in resources to market the brands in a way that sets them apart in their niches and segments. Indeed, there is growing demand here in the specialist markets covered by USG People. Clients require a customised approach. For specialist flex workers and professionals the intermediary is more and more an extension of their own aspirations and networks. In this upwardly mobile employment market, failure to deliver will send them to another player. Against the background of a developing war for talent this is another important plus.

The final argument in favour of the chosen multi-brand strategy is that the widespread network of brands is highly suitable for the fast roll out of centrally developed best practices, across the group's national markets. For our own personnel it also represents an excellent means of boosting aspirations at home and abroad. This way they can approach new challenges in a familiar environment – one with which they identify, and under the shared flag of USG People.

Alex Mulder, standard bearer at a distance



In 2005 a standard bearer withdrew from the day-to-day running of the company. As founder, in 1972 Alex Mulder stood by the cradle of Unique, and built this one-man company up to the USG People of today. As one of the last active pioneers in the temporary employment business, Mulder has always been a cohesive factor both in and out of the company.

Doesn't it hurt a bit to say goodbye to the Executive Board at such a crucial stage in the development of the company?

Alex Mulder: *'Quite the opposite. The acquisition of Solvus closes a chapter. Now the company is entering a completely new phase of development. We have the scale needed to go on growing independently, and to go on investing in quality of service and in our attractiveness as an employer. It's fair to say that I have accomplished this major task. And I'm convinced that the present membership of the Executive Board and the Executive Committee shows a very balanced mix of knowledge and expertise. And over the next several years I see this talent developing still further. And, incidentally, if the general shareholders' meeting appoints me to the Supervisory Board I shall most definitely see that this happens.'*

With the allocation of new shares to finance the transaction, you – via your management company, Hovu Beheer – were allocated fewer shares than you'd applied for. A disappointment?

'Not really. My interest fluctuates around 30%. And, naturally I was also happy with the large oversubscription. That has to be a sign that the markets are aware of what we are doing and that USG People is also an increasingly attractive party for international investors. Shortly after the deal, here and there one heard some doubts around the level of the bid for Solvus. And for a short while that meant a lower share price. But things soon recovered

and USG People is now among the out-performers on the stock market.'

To prevent dilution of your stake, you personally invested around € 50 million in the company. Was that an emotional or a rational decision?

'Both. I see the company in its present form as the best investment I know. But, at the same time, naturally I feel an enormously strong link. I also wanted to show all the personnel – quite up front – that my involvement was as great as ever, even if I'm not at the head office in Almere every day of the week.'

How innovative is USG People?

'As service providers we must have extra sharp eyes for needs in the employment market. We craft custom-made products and services to meet these demands. Our organisation has the knowledge, quality and infrastructure to launch newly developed formulas into new marketplaces – fast and efficiently.'

In your view, what is the biggest added value in the current USG People?

'We offer very attractive future prospects to all stakeholders – including our personnel. By mid-2010 we will have launched our most important brands internationally, and that offers our permanent employees ample opportunities to further develop their personal ambition, within the group's organisations. I find that inspiring too.'

Financial overview

Pro forma results Unless stated otherwise, the following summaries of figures and corresponding notes relating to the result of the group have been formulated on a pro forma basis. This means that the financial data of Solvus as from 1 January 2005 have been included in the figures of USG People. The comparative figures have been prepared accordingly.

The results improved strongly in 2005, due to factors including increasing demand fuelled by improved economic climates in the Netherlands and Belgium, as well as continuing growth in the temporary employment markets in the growth regions Spain, Italy and Germany. In addition to increased demand, significant cost savings were achieved for reasons including the integration of Start's back office and increasing efficiency.

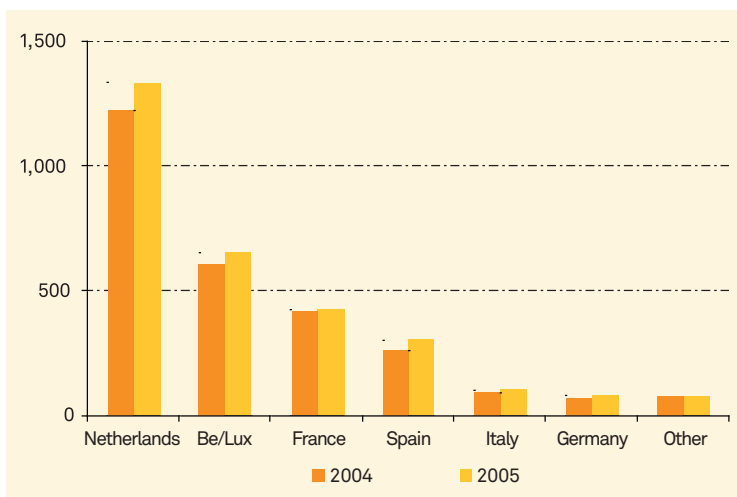
The pro forma results for 2005 can be summarised as follows:

In millions of euros	2005	2004	Difference
Revenue	2,993	2,754	8.7%
Gross profit	710	656	8.2%
<i>Gross profit as percentage</i>	23.7%	23.8%	-10 bp
Operating costs	592	582	1.7%
<i>Operating costs as percentage</i>	19.8%	21.1%	-130 bp
Operating income	118	74	59.5%
<i>Operating income as percentage</i>	3.9%	2.7%	120 bp
Extraordinary charges for restructuring and integration	22	17	
Other extraordinary gains and losses		15	
Amortisation	5	3	
Operating income	91	69	

Increasing revenue growth The positive growth development that started last financial year showed a clear continuation in 2005. In the first three quarters, organic growth was virtually stable at an average of around 8.5%. The fourth quarter showed a clear acceleration by 11.4% compared with the same period a year previously.

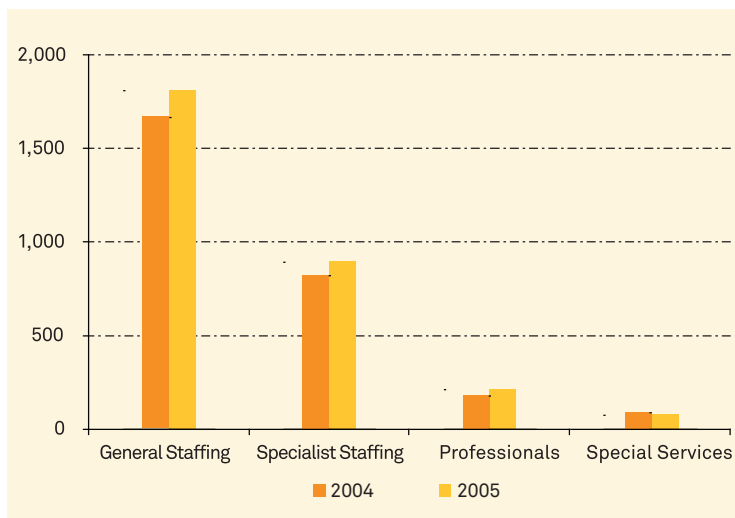
Revenue growth 2005	Consolidated		Organic	
	Solo basis	Cumulative	Solo basis	Cumulative
First quarter	6.4%	6.0%	8.1%	8.1%
Second quarter	8.3%	7.4%	8.7%	8.4%
Third quarter	8.1%	7.6%	8.2%	8.3%
Fourth quarter	11.4%	8.7%	11.4%	9.1%

All six core regions realised revenue growth in 2005 above the 2004 level, whereby the growth regions Spain, Italy and Germany posted double-digit growth. Germany realised the highest growth with revenue



up 19%, followed by Spain with 16% and Italy with 13%. France lagged somewhat behind, with revenue up 3.3%. The Dutch and Belgian home markets performed well with 9.2% and 7.2% growth respectively. The last quarter also showed acceleration with just over 13% growth in the Netherlands and just over 9% in Belgium.

The fact that USG People's Dutch growth in 2005 was slightly lower than market growth is mainly because a large part of the company's growth in the Netherlands is realised from the small and medium-sized enterprise segment. This late cyclical segment only started to show recovery in the fourth quarter of 2005. Expectations are that this recovery will continue in 2006.



As from the third quarter of 2005, the business segments were adjusted in line with the new organisation of USG People: General Staffing, Specialist Staffing, Professionals and the last category, HR Services, Training & Education and Customer Care (Special Services). All segments posted revenue growth compared to 2004 except the last segment, HR Services, Training & Education and Customer Care which realised slightly lower revenue compared with the previous year. This was due to the deconsolidation of Fa-med and Bureau van Dijk CS, and lagging revenue at United Restart. The segments

General Staffing and Specialist Staffing showed all-year growth of around 9%. Growth in the Professionals segment doubled to around 18%.

Gross margin In 2005 the group gross margin stood at 23.7%, which is slightly lower than the 23.8% in the previous year. Taking into account the deconsolidation of Fa-med and Bureau van Dijk CS, the margin was virtually the same as in the previous reporting year, whereby the effects of differences in volume growth in the various segments were mutually compensating.

Operating costs Net operating costs increased from € 582 million to € 592 million. On the one hand, this relatively limited increase is the result of more than € 9 million savings in back office costs at Start and, on the other hand, increased costs of sales including non-recurring costs for rebranding. The limited rise in costs, compared with strongly increased revenues, meant that costs as a percentage of revenue declined from 21.1% in 2004 to just below 20% in 2005.

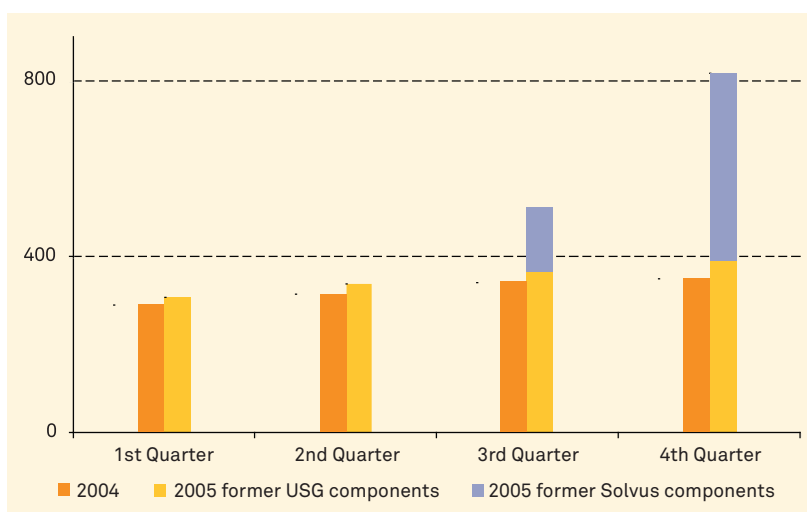
Results based on consolidated figures including Solvus as from 1 September 2005

Effective 1 September 2005, the financial data of Solvus were consolidated with the figures of USG People. Hence, operation over the last two quarters shows a substantial difference.

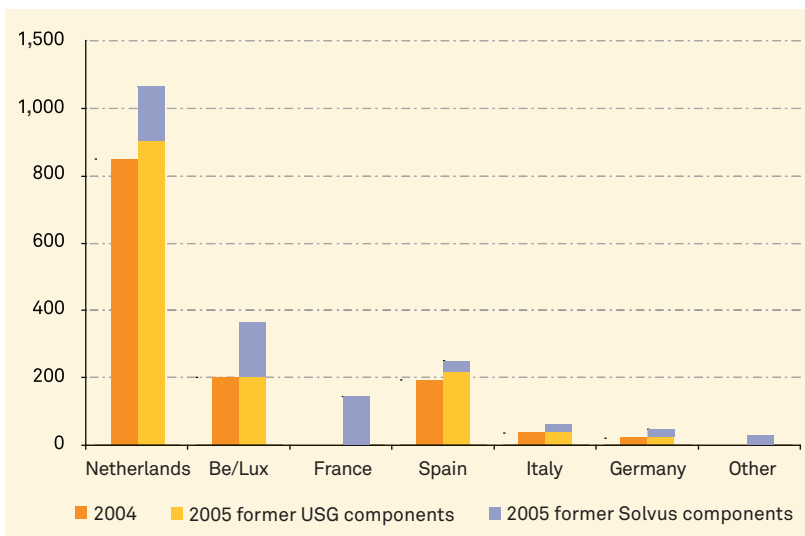
The consolidated results for 2005 can be summarised as follows:

In millions of euros	2005	2004	Difference
Revenue	1,978	1,300	52.1%
Gross profit	507	364	39.1%
Gross profit as percentage	25.6%	28.0%	-240 bp
Operating costs	416	325	27.8%
Operating costs as percentage	21.0%	25.0%	-400 bp
Operating income	91	39	133.6%
Operating income as percentage	4.6%	3.0%	160 bp
Extraordinary charges for restructuring and integration	22	17	
Other extraordinary gains and losses		15	
Amortisation	5		
Operating income	64	37	

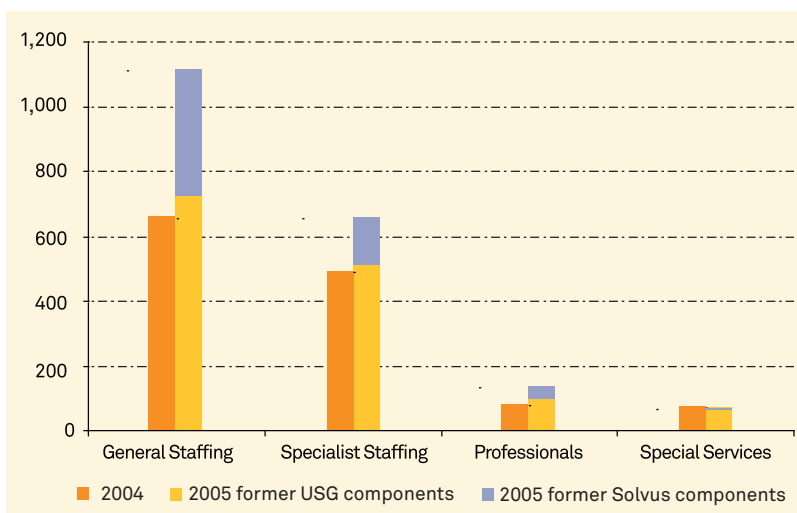
Increased revenue growth The chart below shows the effect of the consolidation of Solvus on revenue in 2005:



In autonomous terms, USG's revenue growth in the fourth quarter of 2005 was up 10.9% compared to 2004. The Solvus companies grew 12.2% compared with the same period last year, and this growth was even stronger in the last quarter. In total, USG People's revenue in the last four months of 2005 more than doubled compared with the same period in the previous year.



Alongside increased revenue, the acquisition of Solvus also realised a broader spread in terms of countries. This resulted in an increase of market shares where USG People was already active, whereby the area of Europe covered increased by another five countries, which realised around 9% of USG People's total revenue in 2005.



As from the third quarter the business segments were adjusted in line with the new combination of USG People. The addition of the Solvus companies meant a strong increase in revenue in all segments.

Gross margin In 2005, the group's gross margin stood at 25.6% which is lower than the 28% of the previous year. The addition of Solvus lowered the margin by 2.3% as the Solvus businesses are more active in markets for general staffing where margins are lower. Moreover, the Solvus businesses are more strongly represented in countries where margins are influenced by restrictive regulations for flex workers.

In autonomous terms, the gross margin for USG without Solvus declined fractionally from 28.0% in 2004 to 27.9% in 2005. Not including Fa-med, which was sold in 2004, the percentage of gross profit was exactly the same as in the previous year, whereby the differences resulting from asynchronous volume were mutually offsetting.

Operating costs Operating costs rose from € 325 million to € 416 million. This increase was due to the consolidation of Solvus; in organic terms, costs were reduced by € 2 million. Costs due to an accelerated amortisation of Start in the Netherlands's old back office system and costs of rebranding negatively impacted the cost level.

Due to the organic cost reduction and the lower cost structure at Solvus, the costs as a percentage of revenue declined from 25% in 2004 to 21% in 2005. This was also due to Solvus' businesses being active in general staffing markets and in regions where cost levels are lower; this is in contrast with the more specialised former USG businesses.

Extraordinary restructuring costs for integration of back offices On 31 December 2005 the balance of the restructuring provision stood at € 28 million. Costs of combining USG and Solvus are estimated at € 21.5 million, of which € 18 million has been added to the restructuring provisions and € 3.5 million had already been included in the costs in 2005. The head offices and Shared Service Centers in countries where both former USG and former Solvus businesses are active will be combined in 2006. Concerned here are the head offices and Shared Service Centers in the Netherlands, Belgium, Spain, Italy and Germany. The balance of provisions and previous restructuring is € 10 million.

Net financial gains and losses During the last two quarters of 2005 financial expenses increased due to acquisition of the shares of Solvus. In 2005 the debt burden, including the convertible bond, rose to € 710 million on 31 December, compared with € 135 million at the end of 2004. The higher debt position led to an increase in interest charges. Non-recurring banks fees were paid during the third and fourth quarters for the raising of the new financing facilities. In addition, the € 4 million revaluation result of an interest derivative which was required to be stated under IFRS was included in financial expenses.

Tax rate In 2005 the tax rate for USG People showed an exceptional increase to 44%. This is substantially higher than the average standard rate of 33%. This was mainly due to the downward valuation of tax deferrals amounting to € 5.6 million as a result of a tax rate reduction and adjustment of fiscal loss compensations. In addition to downward valuation of deferrals there were fiscally non-deductible costs amounting to € 1.1 million. A positive effect of € 3.4 million was due to the exempted revenues of the coordination centre in Belgium.

The tax rate represented 44% of the result before tax in 2005 (2004: 25.4%) as is set out below:

Average standard	33.0%
Non-deductible costs	-5.7%
Adjustment for tax deferrals	16.7%
Total tax rate	44.0%

The standard tax burden is the same as the standard tax rate applying in the various countries where USG People is active.

Within USG People the accounting principles of USG and Solvus have been brought under a single denominator, whereby deferred tax assets of Solvus are adjusted by € 6.8 million. This higher valuation is incorporated via goodwill.

Balance sheet Certain elements of the balance sheet show significant changes. The most important changes are due to application of IFRS regulations and the acquisition of Solvus. The most striking changes concern the increase in intangible assets and cash and cash equivalents. With the acquisition of Solvus, intangible assets increased strongly due to goodwill paid and valuation of existing trademark rights and customer relationships. A purchase price allocation paid for Solvus meant that, in addition to goodwill, a separate amount has been valued under intangible assets for trademark rights (€32 million) and for customer relationships (€ 60 million). Goodwill outstanding on the transaction totals € 598 million. In valuating trademark rights and customer relationships, account is taken of customer relationships with the tax effect of € 39 million. This intangible asset totalling € 131 million will be amortised to the result over a period of ten years.

In the fourth quarter, an amortisation charge (amortisation intangible assets) of € 5.2 million was recorded for the last four months of 2005.

Due to adoption of IFRS, whereby debit and credit balances may no longer be offset in bank systems, the balance sheet now features a net amount of just over € 300 million of cash, as against short-term borrowings of € 544 million. For the adoption of IFRS, the majority of cash was offset with short-term bank facilities.

The main lines of the balance sheet are as follows:

In millions of euros	31-12-2005	31-12-2004
Goodwill	776	178
Other intangible assets	142	8
Property, plant and equipment	57	33
Financial fixed assets	19	10
Net deferred income tax	51	77
Fixed assets	1,045	306
Cash and cash equivalents	146	71
Liquid assets	301	23
Equity	474	219
Subordinated loans	191	100
Provisions	38	24
Long-term borrowings	348	18
Short-term borrowings	441	39
Net debt position banks	488	35

Goodwill Intangible assets include goodwill to the amount of € 776 million. This is an increase of € 598 million compared with 31 December 2004. This increase results from the acquisition of Solvus, for which € 233 million was paid for goodwill. Furthermore, an amount of € 365 million for existing goodwill was taken over as part of the acquisition.

Investments Investments in 2005 totalled € 11.6 million (2004: € 12.6 million). The investment figures mentioned for 2005 also include the investments made by Solvus in the period 1 September 2005 to 31 December 2005. Total investments of around € 28 million are expected in 2006.

Equity Equity more than doubled in 2005. Alongside addition of the result and the dividend payment in 2005, the increase is mainly the balance of net proceeds from a share issue of € 224 million, € 14 million in net revaluation of the bond loan and around € 3 million in exercised options rights.

Financing Refinancing at USG People following the acquisition of Solvus involved the issue of new shares for € 230 million and a subordinated bond for € 115 million. In addition to these issues, a bank credit was arranged for € 700 million with a period of 5 years. This bank facility is divided into a term loan of € 300 million, a revolving credit facility of € 115 million, a backstop facility of € 100 million (for the commercial paper programme) and an ancillary facility of € 185 million to finance the group's working capital. The existing subordinated loan of € 100 million to Stichting Start, arranged at the time of Start's acquisition in March 2003, was continued. In addition to this, an existing bond loan of € 69 million, issued in the past by the Solvus International N.V. coordination center, was maintained. This bond loan will be refinanced within the bank syndicate on due date, 11 September 2006.

To finance the acquisition of Solvus, 8,614,233 new shares were issued at a price of € 26.70 on 1 September 2005. The gross yield of the issue totalled € 230 million. The number of shares in issue on 31 December 2005 totalled 31,484,766.

The subordinated convertible bond of € 115 million was issued on 28 September 2005 by USG People N.V., with a term to 18 October 2012. The coupon rate is 3% with a conversion price of € 35.83.

The capital structure on 31 December 2005 is as follows:

Equity	474
Subordinated convertible bond	91
Subordinated private loan	100
Net debt to banks	419
Bond loan Solvus International	69

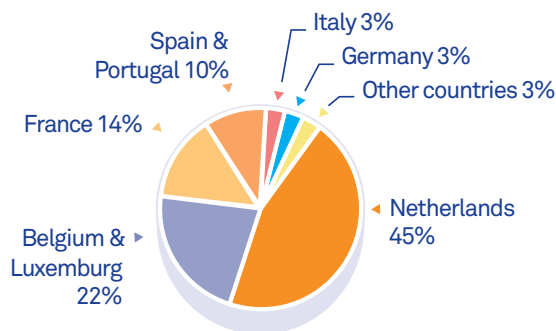
Dividend The multi-annual dividend policy assumes a dividend payout of around one-third of net income before amortisation. For 2005, this would mean a dividend of around € 8.6 million (2004: € 9.1 million).

Combined pro forma net income before amortisation, whereby Solvus' result would be included for the whole of 2005, totals € 38 million. In the opinion of USG People, this net income better reflects the payout potential in the form of a dividend. One-third of € 38 million is € 12.7 million. Divided among 31.5 million shares, this means a dividend of € 0.40 per share. Hence, the Executive Board proposes that the dividend for 2005, as in 2004, should be set at € 0.40 per share in cash.

Operational overview of market developments

Activities in national markets

The acquisition of Solvus expanded the working territory of USG People by five additional countries: France, Luxemburg, Austria, Switzerland and Poland. The Netherlands and Belgium remain the largest working areas. With the acquisition of Solvus, the Dutch share of group revenue has been reduced to 45% while the contribution of Belgium and Luxemburg has risen to 22%. Following the Netherlands and Belgium, France and Spain are the next two largest national areas, with 14% and 10% respectively of total group revenue. The other regions contribute around 3%.



The Netherlands

In 2005 the Dutch economy grew by 1.1%. This growth was strongest in the last quarter. With upward consumer spending and rising exports, GDP growth in the last quarter rose to 1.6% compared with the fourth quarter of 2004. Employment showed clear improvement in the course of 2005 and job numbers actually rose slightly. For the first time in three years, jobs in one quarter were up compared to the previous year.

The Dutch temporary employment market grew by 13% in 2005. The industrial and medical segment contributed least, with 7.4% and 0.3% respectively. The administrative and technical segment both grew by 19%.

The Dutch operating companies contributed € 1,337 million to revenue in 2005, representing a 9.2% increase. Not including Fa-med, which was sold in 2004, the increase came to 9.6%. The main reason for lagging behind the market is the trailing level of economic activities in the small and medium-sized enterprise segment, particularly in the first two quarters of the year. The last quarter brought a clear recovery. All activities showed accelerated growth in the last quarter.

General Staffing

Brand names: Proflex and Start

Revenue contributions: € 521.6 million (2004: € 480.8 million)

Following growth commencing in the last months of 2004, Start's revenue rose 8.5 % in 2005 compared with 2004. Growth was particularly strong in the last quarter, at 12.1%. In July and August Start implemented a new, integrated front and back office system, whereby third quarter revenue trailed slightly.

However, during the course of the year Start re-connected with the market. As the Netherlands' second largest temp provider, Start's full-service concept is offered to all customer segments through a large distribution network. In 2005 innovations contributed to enhanced commercial operating processes. Start's specialities include recruiting and selecting large numbers of flex workers. The operating income improved strongly thanks to revenue growth and integration of back office-activities.

Specialist Staffing

Brand names: Ad Rem, Content, Creyf's, Medi Interim, Secretary Plus, StarJob, Technicum and Unique
Revenue contributions: € 598.4 million (2004: € 542.2 million)

The Specialist Staffing segment grew by 10.4% in 2005. Increasing growth was realised quarter by quarter. In the fourth quarter of 2005 revenue was just over 17% higher than in the same quarter a year earlier. In 2005 Creyf's grew in line with the Dutch temporary employment market. Unique was also able to book increased revenue growth in the last quarter due to a clear recovery in the small and medium-sized enterprise segment. Content and Technicum posted growth of respectively 17.5% and 25%, which is well above the market average. Meanwhile, Medi Interim showed a further increase in growth across the whole year – substantially reinforced in the last quarter.

Professionals

Brand names: Beaver ITServices, Innotiv, United Technical Solutions, United Technical Solutions Energy and USG Capacity
Revenue contribution: € 158.1 million (2004: € 135.4 million)

In 2005 Professionals showed the strongest recovery of all segments. With 16.8% revenue growth across the whole year, driven by an improving market for technical businesses, all four quarters showed strong revenue growth. Enhanced efficiency was reflected in strongly improved operating income in 2005.

HR Services, Training & Education, Customer Care

Brand names: Abel Tasman College, Accea, Call-IT, Carela, InterCollege, Luzac College, Telecom Direct, United MarketPlace and United Restart
Revenue contribution: € 59.2 million (2004: € 66.2 million)

Revenue in the segment HR Services, Training & Education, Customer Care declined by 10.6% on 2004. This was caused by two factors. First was the sale of Fa-med with revenue of € 4.2 million in 2004, which ceased to be included in the figures as from the second quarter of 2004. The second factor was the decline in revenue at United Restart, where a restructuring substantially decreased the branch network while numbers employed were strongly reduced. In the fourth quarter United Restart again realised a

revenue increase on previous quarters. In 2005 the € 3.4 million loss incurred by United Restart in 2004 was converted into a break-even situation.

Belgium and Luxemburg In 2005 Belgium's economic growth stood at 1.5% while the national temporary employment market grew by around 10%. The level of penetration rose from 2.0% to 2.2%, which is an historic record. This increase is mainly attributable to the expansion of temporary employment activities in the 'service-cheque' market and the construction sector, and a general expansion of the white-collar market. As in the Netherlands, growth in the Belgian temporary employment market also rose in the last quarter to 12%. The USG People businesses realised 7.2% growth.

General Staffing

Brand names: Creyf's

Revenue contribution: € 366.3 million (2004: € 336.0 million)

On an annual basis, Creyf's posted 10.9% growth, which is slightly higher than market growth in Belgium. Meanwhile, revenue growth rose to 14.2% in the fourth quarter. In 2005 Creyf's acquired a large number of major clients and successfully gained positions in the 'service-cheque' market.

Growth in the white-collar segment was in line with the market, while Creyf's outstripped market growth in the blue-collar segment.

Specialist Staffing

Brand names: Express Medical, Financial Forces, Secretary Plus, Unique and Unique Receptel

Revenue contribution: € 215.8 million (2004: € 206.9 million)

A large-scale, non-recurring project in 2004 that was not continued in 2005 as foreseen, meant a 2% negative growth for Unique in 2005. The white-collar segment posted record growth in excess of 20% in the fourth quarter. Secretary Plus (specialist in multi-lingual secretaries), opened several new branches in 2005, while its revenue rose by 27.4%. Alongside its traditional medical activities Express Medical further extended its specialised division Express Pharma. This resulted in 18% revenue growth in 2005. Financial Forces (financial specialists) which was established at the end of 2003, doubled its revenue in 2005.

Professionals

Brand names: Beaver ITServices, HR Forces, Innotiv, Legal Forces, United Technical Solutions
Revenue contribution: € 55.4 million (2004: € 46.0 million)

Revenue at Beaver ITServices Belgium rose by 11.7%, with an increased contribution from existing major clients. Good organisation ensured an upward operating result. The technical secondment businesses Innotiv and UTS posted 35.4% growth in 2005. HR Forces (HR professionals) doubled revenue on last year. Legal Forces (legal professionals) closed its first financial year with revenue totalling some € 1 million.

HR Services

Brand names: Acea and Carela
Revenue contribution: € 14.5 million (2004: € 19.4 million)

Acea posted 23.7% growth, partly due to acquisition of a number of major recruitment and assessment projects. Carela, which ranks second in the Belgian outplacement sector, posted 11.5% lower revenue due to a decline in group outplacement dossiers and shorter programmes compared with the previous year. There was no loss of market share.

France France, Europe's largest temporary employment market, continued with an economic downturn in the last quarter. Consumer spending declined, as did industrial production. GNP growth for the whole of 2005 was 1.4% up on the previous year.

The French temporary employment market grew by 3.3% in 2005, with the level of penetration currently standing at 1.9%. USG People has a 2.5% share of the French market and ranks number seven. In 2005 the French operating companies contributed € 429 million to revenue. This is an increase of 3.3% and in line with market developments. Taking into account the two fewer billable days, actual growth comes to 4%. September saw the opening of the first Specialist Staffing branches in France for Financial Forces in Paris and Lyon. In 2006 the Secretary Plus and Beaver ITServices will also open their first branches in France.

General Staffing

Brand names: Creyf's
Revenue contribution: € 429.3 million (2004: € 415.4 million)

In 2005 Creyf's revenue rose 3.3% on 2004. The proportion of major clients in total revenue rose from 27 to 32%. Creyf's 180 nationwide branches are divided into seven regions. Creyf's return improved due to focused cost control and increased subsidies following a favourable change in temporary employment legislation as from the second half of 2005.

Spain and Portugal In 2005, the Spanish temporary employment industry body, AGETT, continued lobbying for more flexible legislation. The next two years are expected to bring more concrete, positive developments. This will notably involve the construction and government sectors, which are still closed to temporary employment, as well as the unfavourable position of our industry in regard to social security costs.

The Spanish market grew by some 8% in 2005 and the same level of growth is expected in 2006. Spain has a high level of temporary contracts, but only some 50% of these are filled by the temporary employment sector.

The Spanish operating companies made a € 306 million contribution to revenue, whereby USG People ranks third in this national market.

General Staffing

Brand names: Creyf's and StartPeople

Revenue contribution: € 248.4 million (2004: € 213.8 million)

The General Staffing operation grew by 16.2% in 2005. Start (People) realised 16% revenue growth with new service offerings to large clients, mainly in the logistics and automotive industry. Revenue from the top-100 clients was up by around 30% in 2005, while there was a further increase in the number of clients.

Start opened its third office in Portugal during 2005 and is now present in Porto, Lisbon and Setubal. Revenue growth in Portugal in 2005 totalled 48%. A fourth branch office was opened in Leiria in January 2006.

Specialist Staffing

Brand names: SYS and Unique

Revenue contribution: € 57.6 million (2004: € 50.8 million)

Unique realised 7.8% growth. The company invested in seven new branches and two branches for the specialist operations Unique Finance and Unique Call Team. The branch network and client portfolio were both expanded. SYS, the outsourcing specialist for both industrial (blue-collar) and commercial and administrative segments (white-collar) opened four branches in 2005, bringing the total to ten. SYS posted 34.5% growth in 2005.

Italy

The Italian economy showed only modest growth in the last quarters of 2005. The year as a whole showed zero growth. Increasing growth is expected for 2006 due to consolidation of the economic recovery that commenced in mid-2005. In a market notable for more than 1.5 million small and medium-sized enterprises, with some 90% of these employing less than 20 people, the temporary employment market grew

by some 12% in 2005. Despite recent reforms in the employment market, the temporary sector is still of only minor importance in Italy. The low level of penetration combined with continued increases in flexibility offer good prospects for the years ahead.

In 2005 the Italian operating companies contributed € 105 million to revenue, representing an increase of 13% on 2004.

General Staffing

Brand names: Creyf's and Start

Revenue contribution: € 104.5 million (2004: € 92.4 million)

Creyf's and Start are active in central and northern Italy. The company is largely represented in industry (metallurgical, food and clothing) as well as government services. Industry accounts for 30% of Italy's GDP, but in growth terms clearly trailed behind services (around 65%). Despite disappointing macro-figures, the temporary employment sector grew by 12%, which implies increased penetration. General Staffing revenue rose by 13%, slightly above market level with an aggregate positive operating result.

Germany The German economy grew by 0.9% in 2005, mainly due to the global recovery which strongly boosted exports. At just over 11%, unemployment is the highest since World War II. The shifting political climate has accelerated attitude changes around rigid employment markets, and new legislation has opened the way to greater flexibility. This makes it more attractive for the German business community to deploy temporary personnel. The penetration rate continues to be low at 0.9%, but this is expected to grow by 11 to 14% in the next several years. In 2005 the German market for flex workers rose by some 11%.

In 2005 the German operating companies contributed € 86 million to revenue, representing an increase of 19% on 2004. This growth mainly came from our largest clients for temporary personnel in the industrial sector.

General Staffing

Brand names: Creyf's

Revenue contribution: € 61.9 million (2004: € 51.2 million)

In 2005 Creyf's growth outperformed the market, mainly due to an increase in revenues from a number of larger clients. Higher productivity for sales kept costs virtually unchanged, so that the negative result diminished. A positive result contribution is expected in 2006.

Specialist Staffing

Brand names: Secretary Plus and Unique

Revenue contribution: € 23.6 million (2004: € 20.6 million)

Unique and Secretary Plus, which mainly focus on the small to medium-sized enterprise segment, successfully reversed the downward trend of preceding years and posted a 15% increase in revenue. Both Unique and Secretary Plus realised a positive operating result for the first time in years. The higher result was driven by revenue growth and enhanced productivity.

Switzerland, Austria and Poland These national temporary employment markets grew by around 10% on the preceding years. With an average 1.5% penetration rate in Switzerland and Austria and 0.6% in Poland, these markets are still immature. A catch-up manoeuvre is expected in the next several years towards the average level of penetration in Europe. This will lead to an expected annual market growth of around 14%.

In 2005, the revenue contribution of operating companies in Switzerland, Austria and Poland totalled € 77.5 million.

General Staffing

Brand names: Creyf's

Revenue contribution: € 77.5 million (2004: € 77.5 million)

Revenue in Austria declined due to a major restructuring. This included changes in some senior positions whereby the sales organisation shifted from a regional to a centralised structure. Trailing revenue in Switzerland was due to sub-optimal commercial strength. Growth was mainly realised in the French-speaking part of Switzerland, where Creyf's has significant representation in the precision industry. In Poland, Creyf's is primarily active in industry, where mainly low-skilled personnel are provided for production operations. Creyf's outperformed the market with 28.7% revenue growth compared to 25%.

IFRS

Starting with the financial statements for 2005 USG People will present its consolidated financial statements in line with IFRS external reporting regulations. In 2003 a conversion team started to define the consequences of IFRS on the presentation of financial statements. The interim quarterly results for 2005 have already been presented in line with IFRS, including the comparative figures for 2004.

Notes to the financial statements for 2005 incorporate a reconciliation between the opening balance sheet for 2004 as per IFRS and the balance sheet presented on 1 January 2004 in line with Dutch GAAP.

Risk paragraph

Striving for security Within USG People, the Executive Board is responsible for internal risk management and control systems. USG People takes its framework for internal risk management and control from the COSO Enterprise Risk Management-integrated framework. Enterprise risk management is a broad approach to internal control whereby the organisation's objectives and risks are taken as the starting point. As company supervisor, the Supervisory Board is regularly informed on the level to which USG People controls the internal risk management and control system.

The internal risk management and control system focuses on:

- limiting risks of the strategy and strategic objectives
- ensuring effective and efficient operating processes
- compliance with relevant legislation and regulations, internal directives and standards of USG People
- ensuring reliable bookkeeping and financial reporting.

The Executive Board is aware that this type of system, however extensive it may be, cannot offer certainty that company objectives are realised, nor that these systems can completely prevent inaccuracies on a material level as to loss, fraud and breaching of legislation and regulations.

Strategic risks This area of risks relates to external factors impacting on USG People's existence. The risks include political, economic, social, technological and market risks. Demand for the services of USG People is influenced by the macro-economic situation in the various countries, unemployment or scarcity in the employment market, changes in legislation and the social acceptance of temporary employment in general.

In evaluating risks, there needs to be differentiation between the various countries where USG People is active. The Netherlands is by far the most developed in terms of revenue, and makes the highest contribution to profit. The Dutch portfolio has the best spread and is the most sophisticated. Belgium and France rank second in terms of development, while the other relevant countries are still at an early stage of development in the temporary employment market.

Another risk for USG People is the response to cyclical demand. The Dutch and Belgian portfolios comprise specialist staffing and secondment services as well as general staffing activities. The specialist activities focus on the Professionals and Specialist segments. The brands here include Content, Innotiv, Secretary Plus and Unique. The specialist activities are generally late cyclical in an economic

decline. In other words, the impact on demand comes later with these activities. Vice versa, with an economic upswing, recovery in these segments also comes later. The brands for general staffing activities include Creyf's and Start. These activities are early cyclical. Normally speaking, this mix has a damping-down effect on the impact of the economic cycle on revenue development.

The growth strategy, whereby acquisitions play an important role, involves the risk that no suitable acquisition candidates will be found. The acquisition of Solvus N.V. meshes with the strategy of significantly reinforcing the market position of USG People in the growth markets of Europe.

The acquisition offers potential for up-scaling by integration of back office activities and standardising ICT processes. However, these advantages can only be realised in full after the complete integration of the Shared Service Centers (SSCs) at USG and Solvus. Partly based on the knowledge and experience gained with the integration of the SSC at the Start temporary employment organisation, a number of measures have been taken to ensure that formulated objectives are indeed realised.

The considerable share in revenue from Dutch activities also represents a risk. With the acquisition of Solvus N.V. dependence on the Dutch market has been reduced from 65% to 45%.

Further risks involve new competition in the employment market, for instance due to technological innovations. The temporary employment market is highly competitive and new entrants can count on minimal thresholds. The global trend to more centralised procurements by major corporations is also considered to be a risk.

Operating and compliance risks This involves risk areas that impact on realisation of operating and compliance objectives of the operating companies. Unfavourable events around personnel, processes and systems are considered to be operating risks. Compliance risks relate to compliance with the relevant legislation and regulations, internal directives and standards of USG People.

USG People defines the following risk areas:

- Changes in own employee turnover such as intermediaries, and the loss of employees in key positions
- The hiring and retention of qualified flex personnel
- With secondment: under-utilisation and sick-leave for flex personnel
- The implementation and payment of flex personnel and billing of clients
- Integrity, access, availability and effectiveness of IT systems
- Work related claims by flex personnel and clients
- The management and improvement of the property portfolio via existing lease- and rental contracts
- Identifying changes, implementing and applying local fiscal and social legislation and regulations.

Financial risks As far as USG People is concerned, the most important balance sheet item is goodwill. Disappointing results per cash generating unit can lead to an impairment, whereby loss-items must be included in the results. An annual check is carried out on goodwill to determine whether this is subject to impairment. An interim check is also conducted where the need arises.

USG People has insured its debtor balances for debt recovery risks in most countries, with the exception of Italy, Germany, Austria, Switzerland and Poland. Insurance is not necessary in these countries due to local legislation and regulations.

Fiscal loss compensation is valued and capitalised under the item deferred taxes. Lagging results and a reduction in the local tax rate within a cash-generating unit can lead to lower valuation of deferred taxes.

USG People partly financed the acquisition of Solvus with a syndicated loan. The effects of an interest increase on the fixed part of the loan are subjected to a maximum via an interest derivative.

Internal control systems USG People seeks a reasonable level of certainty as to financial reporting and the operational control of operating companies. To this end, an extensive structure of risk management and internal controls has been developed and USG People has formulated a group policy and framework for risk management and internal control.

This sets out tasks and responsibilities at every level of the organisation. At all levels the principle is that line management is responsible for the approach and assessment of risks around strategy, financial reporting, operations and legislation and regulation. There are five elements in USG People's internal risk management and control system:

1. management framework
2. risk assessment
3. control measures
4. information and communication
5. monitoring.

1. The control framework shows the correlation with all other elements and contributes to structure and discipline; the most important are:

Board structure The daily management of USG People is in the hands of the Executive Board. The Executive Committee implements policy and its members report directly to the Executive Board. The two bodies meet together once a month. This structure ensures good control on complex decision-making and operating processes. Long experience means that all members can recognise threats and

opportunities across a broad front – and solve these or capitalise on them.

The set-up of the management structure of USG People takes account of the effective and efficient control of the internal risk management and control system. The activities in the operating companies are limited to marketing and sales and reporting to the Executive Vice President (management member of the Executive Committee). The activities of the Shared Service Centers (SSCs) concern general administration in regard to payroll processing, billing, bookkeeping, reporting and automation.

In all countries where USG People operates with several brands, these activities are centralised in a SSC and are directly reported to the Corporate Vice President Finance, Administration and ICT (management member of the Executive Committee). This makes optimal use of benefits of scale in the internal organisation. This also enables optimal implementation of separation of functions and internal control measures.

Process ownership The methodology of process ownership is a significant part of the internal risk management and control system and meshes well with the COSO framework. Indeed company-wide control starts with operational processes. This involves a management method whereby tasks, responsibilities and authorisations are clearly embedded in the organisation.

The process owner is responsible for (risk) control and the (improvement of) quality of the process(es) and/or applications allocated to him/her. Responsibilities regarding the ownership are defined in the 'Ownership Manual' and every process owner is required to comply with this. In 2005 the method was adopted and rolled out in several operating companies. In 2006 process ownership will be further expanded in the organisation.

'Whistle-blowing' and code of conduct Whistle-blowing ensures that any supposed misconduct within USG People can be notified without the person making the report suffering negative consequences. Misconduct relates to criminal offences, breaching of laws and regulations, deliberate misinformation to public bodies, breaching the code of conduct or deliberately withholding, destroying or manipulating information on these facts.

The code of conduct sets out how we want to behave, relate and work together at USG People.

The code sets out the key values, business principles and ethical rules of USG People.

The ethical rules set out directives on how personnel should behave in the event of, for example, a conflict of interests, confidential information or accepting gifts or favours.

The personnel and USG People are obliged to act in compliance with the code of conduct and to report any non-compliance by means of the 'whistle-blowers' regulation.

2. The various risks confronting the operating companies of USG People are initially identified and assessed at operating company level.

These risks are then compared with one another and determined at group level. To this end, the following tools have been developed and these are at various stages of implementation:

Group risk register This is a tool for group level control of the most important risks for business-critical processes. The Risk Committee, which is to be assembled, ensures that the inherent risks within USG People are regularly evaluated and that the necessary measures are identified for the control of these risks.

Self-assessment risks and control measures This is a method to identify and assess risks and to enhance risk control. The self-assessment is supported by an automated system by which the operating companies and the group control & risk management department can assess the effectiveness of risk measures. The results are reported to the Risk Committee.

The reason for deployment of self-assessment is to increase control awareness of line management. During implementation the process owners assess the effectiveness of internal control measures according to a structured process. While this is underway, the process owner must identify all risks in his/her process for the likelihood of this occurring and the impact on non-achievement of organisational objectives. Based on the evaluation, the process owner must determine adequate control measures and arrange these in his/her process.

Checking of control measures and evaluation of their effective working is carried out by quality auditors who are responsible for implementing and controlling the process.

The self-assessments are also an object for investigation for the group control & risk management department and for the external accountants and are used as input in conducting audits.

3. Within USG People, several control measures have been implemented to deal with identified risks. The most important of these are:

Authorisation operating companies The board of operating companies is bound by clear limits as to representative authority. Projects and contracts with a value of risk in excess of set amounts must be approved by responsible members of the Executive Committee, or the responsible member of the Executive Board.

Furthermore, procedures have been developed to ensure financial and legal checks.

Planning and control For each operating company, strategic plans are prepared which are converted into practicable budgets. Monthly reports are made on financial and commercial results and the results are analysed. The Executive Committee tests these reports on a monthly basis against the plans, in consultation with the responsible boards of the operating companies. In the view of the Executive

Board, systematic and regular reporting on significant risks is an important aspect of the demonstrability and effectiveness of the internal risk management system.

Embedding of risk management in the existing management-control cycle is an important precondition for the pro-active management of risks. To this end, it is important that risk identification and risk action plans form an integral part of the budget and planning cycle of the operating companies. Hence, in 2006 these activities will be anchored in the budget and planning cycle.

Letter of Representation USG People maintains a cascade system of Letters of Representation (LOR). The general and financial directors of the operating companies sign these declarations in confirmation of the correctness and completeness of financial reporting as presented and of the correct application of the code of conduct of USG People. The members of the Executive Committee then sign their Letter of Representation. The Executive Board then signs its LOR. The LOR is currently only used by the former Solvus operating companies, and in 2006 will be expanded for the entire group. Any findings from the LORs are reported to the Executive Board and discussed with the Supervisory Board.

Accounting manual This details the directives for the organisation of the financial reporting, together with the procedures for its preparation. This also incorporates IFRS reporting rules. In 2005 work started on a uniform accounting manual for USG People and this will be implemented in 2006.

Insurance portfolio USG People has insurance cover for several risks. These insurance policies relate to employment risks, liability risks, risks to property, continuity risks and financial risks. Following the acquisition of Solvus N.V., USG People commissioned a leading international consultancy firm to conduct a risk and insurance study with the objective of optimising the insurance programme. This study will be completed in 2006 and any improvements and savings identified will be incorporated into the insurance programme.

4. Various forms of information and communication are required to assess risks, to determine effectiveness of control measures and to identify potential problem areas.

All operating companies of the USG People group use the same commercial management information system. This system is used to monitor activities at various levels of the branch structure. Communication of financial and management information will be in line with the directives in the accounting manual. USG People's internal business courses are also an important means of communication. Training and information briefing-meetings for intermediaries also focus on legislation and

regulations covering specific activities at the operating companies. In addition, USG People has several (written) tools such as internal briefings, personnel newsletters, intranet and Internet.

5. Control measures are regularly monitored to verify that they are properly applied and sufficiently effective. Verification is carried out by continual monitoring and evaluation.

Continual monitoring The monitoring of adequacy and effectiveness of internal risk management and control systems is a continual process. This monitoring follows from the monthly consultation between the Executive Board, management members of the Executive Committee and the consultative bodies within the segments and operating companies. These consultations are partly based on the management information provided.

In the view of the Executive Board, systematic and regular reporting of significant risks is an essential aspect of evidencing the effectiveness of the internal risk management and control system. This reporting will be further enhanced and expanded in 2006 as an integral part of operating company reporting.

Evaluation Within USG People, evaluations of internal risk management and control systems are carried out at group and operating company level. These are conducted by the actual operating companies (self-assessments) and the department group control & risk management.

Internal audits by the group control & risk management department are conducted on the instructions of the Executive Board under direct responsibility of the CEO. Group control & risk management reports to the Executive Board while also reporting to the Supervisory Board.

It also fine-tunes its activities with those of the external auditor. The planning of these audits is at the initiative of the Executive Board and members of the Executive Committee or group control & risk management, and is definitively adopted by the Supervisory Board.

In addition group control & risk management makes recommendations to management at segment level as to enhancement of the internal risk management and control systems. Within the operating companies the controls are conducted by the controllers and quality auditors of the operating companies.

The external auditor evaluates the internal control measures insofar as these are relevant to the audit of the external financial statements. The findings of his activities are reported in management letters at group and operating company level. USG People uses these findings (among other things) to improve the internal risk management and the control system.

A rapidly changing environment with a constant stream of new challenges also impacts on the de-

mands around internal risk management and control systems. The policy of the Executive Board of USG People continues to focus on ongoing verification and enhancement of control systems to optimise reliability and effectiveness of the processes and the checks on these and, where necessary, to make adjustments.

Corporate Governance

Introduction For USG People N.V., the 2005 reporting year was also special in terms of corporate governance. With the acquisition of Solvus N.V. the company underwent major changes in many areas. This also impacted on the corporate governance structure of the company. For USG People, corporate governance means good entrepreneurship meaningfully supervised. Notable aspects under this heading are honest and transparent dealings by the management and the supervision of this. The composition of the Executive Board and the Executive Committee changed due to the acquisition of Solvus N.V. Among other things, this required consideration of the organisation of the management structure, the working of the tasking portfolio for the committees and the management and control systems.

In the past both United Services Group N.V. and Solvus N.V. had devoted considerable thought to the establishment of a thorough corporate governance structure. However, the Executive Board found that there were substantial differences between the two companies in the areas of organisation of authorities and the checks and balances thereon. In 2005, USG People set itself the task of examining the two structures in order to arrive at a well-considered choice as to the organisation and integration of the two companies.

During 2005, in-depth consideration was given to the best corporate governance structure for USG People and the first clear steps were made towards full integration. This process will be further studied in 2006, and this must lead to a fully-fledged new structure. The Executive Board and the Supervisory Board will be accountable to the shareholders for the chosen corporate governance structure. It is the task of the shareholders to make their feelings known as to the chosen structure and compliance with the Corporate Governance Code (hereafter: 'the Code').

Structure The Extraordinary General Meeting of Shareholders approved the change of name on 1 July 2005. On 29 August 2005, the name United Services Group N.V. was changed, as prescribed by the articles of association, to USG People N.V. Like the former United Services Group N.V., USG People is a public limited company under the law of the Netherlands, a so-called two-tier status company. The shares of USG People are listed on Euronext N.V. in Amsterdam. Effective 15 September 2005, Euronext Amsterdam N.V. has been requested to include the share in its Official List under the new name.

Due to the public offer and the buy-out bid on all issued shares of Solvus N.V. by United Services Group N.V., the shares of Solvus N.V. were removed from the list of marketable shares on Euronext Brussels N.V. effective 16 September 2005.

Divergences It is with great pleasure that USG People announces that the best practice stipulations of the Code have been applied virtually in full, with the exceptions of best practice stipulations II.1.1., II.1.4., II.2.3. and II.2.7. Although there are no essential changes in the reasons for diverging from these points of the Code, for the sake of clarity, notes on the mentioned divergences are set out below. Although in 2005 there was no divergence from stipulations II.2.6. and III.7.3., here follows a short explanation about these stipulations because a different policy will apply as from financial year 2006.

Best practice stipulation II.1.1. This stipulates that a member of the Executive Board may be appointed for a maximum of four years. Reappointments are for a maximum period of four years.

The present members of the Executive Board – Mr. Alex Mulder and Mr. Ron Icke – as per the legal obligations applying at the time of their appointment, have been appointed for an unlimited period. USG People considers that it is not expedient to change the present contracts, all the more so in that the members of the Executive Board have already been with the company for a long time. USG People wishes to maintain the possibility, also for future occasions, where significant reasons exist, to appoint members of the Executive Board for periods longer than four years.

This divergence is dictated by the fact that this best practice stipulation does not fit with the corporate culture and core values of USG People. At USG People members of the Executive Board often come from within its own ranks. By only offering future members of the Executive Board the possibility of a four-year appointment, the company runs the risk that this will cause potential members to decline this position.

Best practice stipulation II.1.4. This stipulates that the Executive Board shall declare that the internal risk management and control systems are adequate and effective, and that clear motivation should be given for this. The Executive Board reports in the annual report on the operation of the internal risk management and control system, and indicates any significant changes that have been made, what improvements are planned, and that matters have been discussed with the audit committee and Supervisory Board.

There are five elements in the internal risk management and control system of USG People: control framework, risk assessment, control measures, information and communication and monitoring. Evaluations are carried out at group and operating company levels. The audits are conducted on the instructions of the Executive Board under the direct responsibility of the CFO.

With the acquisition of Solvus N.V., 2005 must also be considered a transition year in terms of risk

management and control systems. The acquisition confronted the Executive Board of USG People with the differing set-up of control mechanisms at the two companies. Coordination and integration of the two systems started right after the acquisition, and the process is expected to be completed in 2006. USG People aims for the organisation of risk management and control systems to meet the recommendations of the Frijns committee.

The rapidly shifting environment with a continual flow of challenges also imposes demands on the internal risk management and control system. The policy of the Executive Board and USG People remains focused on continually checking and improving the control system in order to ensure the reliability and effectiveness of the processes. As far as possible USG People seeks to optimise, and where necessary to adapt, controls on processes.

Best practice stipulation II.2.3. This stipulates that shares granted to members of the Executive Board without a financial quid pro quo shall be held for a period of at least five years or until employment ends, if that period is shorter. The number of shares to be granted is made dependent on the realisation of preset, clearly quantifiable and challenging objectives.

At the General Meeting of Shareholders on 12 May 2005, the approval of the shareholders was sought for a new share plan, the Unique Share Plan. This Unique Share Plan requires that shares granted to members of the Executive Board must be placed on deposit by members of the Executive Board and may not be traded for at least three years. The shareholders agreed to this divergence from the Code in regard to the five-year period, on 12 May 2005.

Best practice stipulation II.2.7. Among other things, this stipulates that the maximum payment on involuntary dismissal is equivalent to one time the annual salary (the 'fixed' part of the salary).

USG People regards it as desirable that, in addition to a maximum payment equivalent to one time the annual salary, a payment should also be made equivalent to the level of the six months' notice. Among other things, this was prompted by the fact that similar arrangements also formed part of the conditions of employment of former members of the Executive Board of Solvus N.V.

Best practice stipulation II.2.6. and III.7.3. These stipulate that members of the Executive Board and Supervisory Board are required to report changes in their securities holdings in publicly listed Dutch companies to the compliance officer, at least once per quarter.

Although members of the Executive Board, the Executive Committee and the Supervisory Board have complied with these stipulations for the whole of the financial year 2005, USG People decided at the

end of 2005 that a different reporting system for share trading would come into operation effective 1 January 2006. This is further explained in the paragraph on 'The Model Code and Tracking Compliance Program' further in this section.

Changes Almost all changes in the management structure, the management framework and working procedures in 2005 were prompted by the acquisition of Solvus N.V. Among other things, 2005 saw the alteration of articles of association and a renewed statutory two-tier structure, as well as the decision to re-design the Tracking Compliance Program effective 1 January 2006. Furthermore, it was deemed necessary to adapt the internal risk management and control system for an organisation which had doubled in size. In addition, in 2006 the regulations of the Supervisory Board and the Executive Board will be adapted in line with the new management structure.

Articles of association The articles of association of USG People were amended twice in 2005. The first time was on 19 May 2005 when the articles of association were altered in line with the new two-tier structure. Changes included points relating to appointment of members of the Supervisory Board, approval of various decisions, adoption of the remuneration policy and the indemnification of members of the Executive Board.

The General Meeting of Shareholders approved this on 12 May 2005. The second amendment of the articles of association took place on 29 August 2005 and only involved the change of the name of the company to USG People N.V. This was approved by the Extraordinary General Meeting of Shareholders of 1 July 2005.

Communications For USG People, open and transparent communications with capital providers in particular and the financial community in general are of key importance. The group ensures that the market is informed fully, correctly and in good time, via press releases that are distributed simultaneously to the various media and are placed on the website of USG People. USG People complies with the rules on communications as set out in the Act on Market Abuse. To ensure compliance with this legislation, USG People has formulated internal 'key corporate guidelines for media relations' which apply to all personnel of all operating companies.

Risk management and control system In terms of the risk management and control system, the acquisition of Solvus N.V. makes 2005 a transition year. The acquisition confronted the Executive Board of USG People with the differing control mechanisms of the two companies. After the acquisition, a start was made on coordinating and integrating the two systems, and this process is expected to be completed in 2006.

The rapidly changing environment with a series of new challenges also makes many demands on internal risk management and control systems. The policy of the Executive Board of USG People continues to focus on continuously checking and enhancing of the management systems in order to ensure reliability and effectiveness of the processes. USG People seeks to optimise control of the processes and where necessary to make adjustments.

In the organisation of risk management and control systems, USG People seeks to comply with the recommendations of the Frijns committee. On the basis of the activities described, the Executive Board declares that the internal risk management and control system of USG People, focused on financial reporting, during the financial year 2005 generally functioned well and that the financial reporting contains no tangible inaccuracies. The Executive Board is aware that systems of this type, however extensive they may be, cannot offer complete certainty as to realisation of company objectives, and that these systems cannot completely avoid all material mistakes, loss through fraud and breaches of the law.

The divergence from the Code was partly prompted by the recent acquisition of Solvus N.V. As a result, the risk management and control systems were revised and adapted in 2005. USG People's aim here was the further structuring and formalising of systems, in order to mesh with the newly created organisation and which meets the various needs within the group. The renewed structuring includes merger of the 'Internal Audit' department into the 'Group Control' department, effective 1 January 2006. In regard to operational and strategic risks, and legal and regulatory risks, please refer to the 'Risk paragraph' section.

Management structure The management structure of USG People comprises three bodies: the General Meeting of Shareholders, the Supervisory Board and the Executive Board. The Executive Committee supports the Executive Board in steering the operating companies and the back offices.

The General Meeting of Shareholders At least one General Meeting of Shareholders is held every year at which shareholders are presented with given topics for consideration and decision making. Regular items on the agenda as part of corporate governance include (re) appointment or dismissal of members of the Supervisory Board, discharge of members of the Executive Board and the Supervisory Board, remuneration of members of the Executive Board and the Supervisory Board, deciding on the dividend and adoption of the financial statements.

Extraordinary General Meetings of Shareholders are held as often as the Executive Board or the Supervisory Board consider necessary.

All shareholders with voting rights are entitled to attend, speak, and exercise voting rights at the General Meeting of Shareholders. Every share carries the right to one vote. Decisions are reached by an absolute majority of votes, unless the law or the articles of association of the company expressly require a larger majority.

During the coming financial year USG People will conduct a study into the various possibilities in the area of electronic voting. In this way, the company wishes to contribute to good relations with the shareholders by further simplifying contacts between the company and shareholders without breaching shareholder privacy.

Supervisory Board

Task and composition The task of the Supervisory Board is to supervise the policy of the Executive Board and general developments at USG People. The Supervisory Board supports the Executive Board with advice. In fulfilling their task, the supervisory directors focus on the interests of USG People and of the associated companies. In this context, the Supervisory Board is kept up to date by the Executive Board with relevant information, which is of importance for the exercise of its statutory tasks. In the exercise of these tasks the Supervisory Board weighs-up the various interests of those involved.

From 1 January 2005 up to the General Meeting of Shareholders on 12 May 2005, the Supervisory Board comprised five members, namely Mr. Cor Brakel, Mr. Joost van Heijningen Nanninga, Mr. Marc Battaille de Stappens de Nieuwenhove, Ms. Marike van Lier Lels and Mr. Bert de Vries. The period in office of Mr. Marc Battaille de Stappens de Nieuwenhove ended on 12 May 2005. In 2005 the Supervisory Board decided not to appoint a new member to replace him. Since then the Supervisory Board has been comprised of four members.

Appointments Members of the Supervisory Board are appointed by the General Meeting of Shareholders on the recommendation of the Supervisory Board. The Supervisory Board informs the Central Works Council of the recommendation. This recommendation is motivated. The General Meeting of Shareholders is authorised to recommend persons for the position of supervisory director. One-third of the members of the Supervisory Board must have been recommended by the Central Works Council, unless the Supervisory Board objects on the grounds that the recommended person might be unsuitable for the task of supervisory director or that the appointment in line with the recommendation would mean that the Supervisory Board is not properly composed.

The periods in office of Mr. Cor Brakel (chairman), Ms. Marike van Lier Lels and Mr. Bert de Vries come

to an end in 2006. In view of the intended increase in the size of the board, the Supervisory Board wishes to increase the number of its members to five. In this regard, the Supervisory Board has consulted with – among others - Mr. Christian Dumolin (former supervisory director of Solvus), who has indicated his willingness to join the Supervisory Board.

The Supervisory Board expects that the proposed nomination of Mr. Christian Dumolin, a highly experienced director and entrepreneur, whose expertise from Solvus N.V. will make a particularly valuable contribution to the company as a whole.

The Supervisory Board wishes to (re) appoint Mr. Cor Brakel and Mr. Alex Mulder during the General Meeting of Shareholders on 9 May 2006, for a period of four years. Furthermore, the Supervisory Board proposes to (re) appoint Ms. Marike van Lier Lels and Mr. Christian Dumolin for a period of two years. This 'reduced term of appointment' is due to the fact that the Supervisory Board is seeking a more balanced composition during the period in office. This is designed to ensure the continuity of the Supervisory Board.

Mr. Bert de Vries has indicated that he will not be available for re-election, due to reduction of his working activities.

The Supervisory Board informed the Central Works Council of its motivated intentions on 13 February 2006. The Central Works Council has an enforced right of recommendation for the (re) appointment of a member of the Supervisory Board.

Remuneration The Supervisory Board adopts the remuneration of the individual members of the Executive Board. In 2005, the annual remuneration for members of the Supervisory Board amounted to € 24,088. The chairman received an amount of € 34,088.

In view of the fact that the remuneration of the Supervisory Board was adopted for a period of three years in 2003, and as the company has significantly increased in size, complexity and international character due to the acquisition of Solvus N.V., the Supervisory Board proposes to increase remuneration. At the General Meeting of Shareholders on 9 May 2006 it will be proposed to increase the annual remuneration of members to € 35,000 and € 50,000 for the chairman effective 1 January 2006. Furthermore, the Supervisory Board will propose to the General Meeting of Shareholders that members of the internal committees should be paid an additional amount in regard to their related extra activities. For the chairman of the committee the amount would be € 5,000 and for members an amount of € 3,000 per year.

Internal committees Since 12 May 2005 the Supervisory Board comprised four members. Under the terms of the Code, the company is not obliged to form separate internal committees. In view of the fact that USG People attaches considerable value to all members of the Supervisory Board being aware of all relevant issues within the company, it was decided that all decision-making on audit matters and remuneration should be dealt with by the Supervisory Board as a whole. Hence, no separate internal committees were formed in 2005. As in 2004, the Supervisory Board drafted the remuneration report. As the Supervisory Board intends, before long, to increase its membership to five in view of the growth of the company, it was decided as from the General Meeting of Shareholders on 9 May 2006 that a separate audit committee and remuneration and appointments committee should be set up. The audit committee will comprise Mr. Christian Dumolin (chairman), Ms. Marike van Lier Lels and Mr. Alex Mulder. The remuneration and appointments committee will comprise Mr. Joost van Heijningen Nanninga (chairman) and Mr. Cor Brakel. Partly with a view to the institution of internal committees, the regulations of the Supervisory Board will be adjusted in 2006. This will take account of the installation of the internal committees. The internal committees will report their findings to the Supervisory Board.

Profile sketch The Supervisory Board has formed a profile committee for the preferred composition and competencies of the Supervisory Board and the desired role and competencies of individual members. All members of the Supervisory Board must be able to evaluate the main lines of policy and to possess the specific expertise needed to fulfil their given task.

There are other conditions relating to the composition of the Supervisory Board, over and above legal requirements and broad expertise. The Supervisory Board must further be comprised of persons who can function well together. In addition to social spread both, men and women should also be represented. Lastly, it is important that members of the Supervisory Board have wide experience of the national and international business world, or as part of a social organisation, whilst at the same time having the time at their disposal to meaningfully fulfil the function.

The profile committee may be consulted via the website of USG People, which also includes details of the prescribed information concerning each member, and the schedule of periods in office.

Executive Board

Task and composition The Executive Board is responsible for the management of USG People. In 2005 the Executive Board was formally comprised of two members, Mr. Alex Mulder and Mr. Ron Icke.

Up to 16 November 2005 Mr. Alex Mulder acted as CEO and Mr. Ron Icke as CFO. On 16 November 2005 the Supervisory Board appointed Mr. Ron Icke as CEO and from that time Mr. Alex Mulder became chairman of the Executive Board. Up to the General Meeting of Shareholders on 9 May 2006, the Executive Board will be supported by Mr. Alain Dehaze and Mr. Rob Zandbergen, respectively in the functions of proposed COO and proposed CFO. The Supervisory Board will inform the General Meeting of Shareholders of the nomination of Mr. Alain Dehaze and Mr. Rob Zandbergen as members of the Executive Board.

The press release issued on 14 June 2005 in connection with a friendly public offer for Solvus N.V. announced that a study would be made into the possibility – after the acquisition of Solvus – to establish a new management structure where the two-tier structure would be replaced by a one-tier structure. Following an extensive evaluation of both structures, USG People decided to maintain the two-tier structure, as in its opinion this structure better fits with the company. Factors playing a role here included the fact that the Executive Board and Supervisory Board assume that the involvement of the supervisory directors and the steering from the supervising body will function better if the two-tier system is maintained.

Mr. Alex Mulder has occupied the position of chairman of the Executive Board since November 2005. One of the tasks of the chairman is to lead the Executive Board. He chairs the meetings of the Executive Board and sets the agenda for these meetings, in consultation with the other members. He formulates company strategy and is responsible for good communications between the Supervisory Board and the Executive Board.

The tasks of the Chief Executive Officer (CEO) can be briefly described as responsibility for the joint drafting and implementation of company strategy in line with the objectives. Furthermore, the CEO is tasked with supervising and steering the implementation of decisions taken.

The Chief Operational Officer (COO) is responsible for all operations. In addition, he deals with corporate sales & marketing and is responsible for corporate accounts.

The Chief Financial Officer (CFO) is tasked with formulating and communicating financial strategy and supervising and ensuring the correctness and fairness of accounting. He is also responsible for the company's financial reporting and for investor relations.

Due to the changing composition of the Executive Board, the regulations of the Executive Board will be adjusted in 2006.

Appointments The members of the Executive Board are appointed by the Supervisory Board. The Supervisory Board informs the General Meeting of Shareholders of intended appointments of members of the Executive Board.

Best practice stipulation II.1.1. of the Tabaksblat Code stipulates that a member of the Executive Board may be appointed for a maximum period of four years. Reappointments are for a maximum period of four years each time.

In line with the then legal obligations the present members of the Executive Board – Mr. Alex Mulder and Mr. Ron Icke – were appointed for an indefinite period. USG People wishes to keep open the possibility, where appropriate and meaningful reasons exist, to appoint members of the Executive Board for periods longer than four years. USG People raised this divergence from the Code during the General Meeting of Shareholders on 12 May 2005, whereby the General Meeting of Shareholders agreed.

During the General Meeting of Shareholders on 9 May 2006, the Supervisory Board will nominate Mr. Alain Dehaze and Mr. Rob Zandbergen as members of the Executive Board. As they have been members of the Group Executive Committee of Solvus N.V. for some time, USG People wishes to make use of the option to appoint them for indefinite periods. At Solvus N.V., both Mr. Alain Dehaze and Mr. Rob Zandbergen also had contracts of employment for indefinite periods.

Remuneration The remuneration policy of USG People aims to attract and retain good management for a publicly listed, international company in the flexible employment industry. The remuneration should assist in recruiting experienced directors who are and will remain motivated to perform in a way that increases the value of USG People. The thinking underlying the remuneration policy is that a balance is achieved between operational results in the short term and the sustainable value of USG People in the longer term, whereby it should be quite clear that our aim is for higher shareholder value.

USG People's remuneration policy for members of the Executive Board was proposed by the Supervisory Board on 12 May 2005 and adopted by the General Meeting of Shareholders on that date. The Supervisory Board is authorised to adopt the remuneration and the content of other conditions of employment, taking account of the relevant policy. The policy for 2003, 2004 and 2005 was adopted by the Supervisory Board on 4 December 2003.

The remuneration of the members of the Executive Board comprises fixed and variable parts. The fixed part of remuneration is regularly evaluated and adopted for a longer period, whereby account is taken of the level of experience and the responsibility of the executive directors who are to be engaged.

The variable part of the remuneration is set at 2 per mil of the operating result before amortisation of goodwill, for the group as a whole. This short-term bonus is paid out in cash and is hence related to the operating result achieved.

Effective 1 January 2005, the option plan existing up to that date was cancelled. In 2005, as compensation for the option plan, each member of the Executive Board was granted 2,500 shares unconditionally. During 2005, USG People looked into the remuneration structure in order to improve long-term participation and to encourage commitment by the personnel.

The annual report for 2004 announced that USG would seek advice from professional, independent remuneration consultants in order to reach a meaningful comparison with the reference group. However, following the acquisition of Solvus N.V. it appeared that Solvus had commissioned an independent firm to conduct a study of this type. Hence, their remuneration consultants have been used for the remuneration of our top managers.

During the General Meeting of Shareholders on 12 May 2005, the Supervisory Board also made a proposal with regard to the introduction of a share plan for the Executive Board. This Unique Share Plan (USP) was to commence on 1 January 2005 and run until the end of 2010. The General Meeting of Shareholders agreed to the proposal. The first grant under the USP – if objectives are met – will be made after adoption of the financial statements for 2005, hence at the General Meeting of Shareholders in May 2006. The shares must be held in deposit for three years.

The acquisition of Solvus N.V. midway through the year radically altered USG People as a company. It has more than doubled in size and its market value has risen substantially. In view of the intended expansion of the Executive Board, the Supervisory Board deemed it appropriate to adjust both the fixed and variable parts of the remuneration of the Executive Board, effective 1 September 2005. This alteration to remuneration policy for the Executive Board will be submitted to the General Meeting of Shareholders on 9 May 2006. The main lines of this policy are set out below.

In addition to the basic salary, as from 2006 a bonus is foreseen that will be linked to the annual results. This bonus will amount to a maximum of 2 per mil of the group's EBITA, whereby 1 per mil will be linked to the realised EBITA and revenue growth in proportion to the previously set budget and 1 per mil calculated on the realised EBITA. A reduction on the total bonus is possible where the DSO-target (days sales outstanding) is not achieved.

Further, the remuneration will comprise a variable payment in the form of shares which will be linked to previously set, clearly quantifiable and challenging long-term objectives regarding revenue tar-

gets and the EBITA margin to be realised. Following the acquisition of Solvus, the Supervisory Board deemed it appropriate to adjust the objectives so that they would remain challenging in the years ahead. Any shares to be granted will be provisionally granted in line with realisation of revenue growth and EBITA objectives during periods of three years. The grant will become unconditional where the member of the Executive Board is still employed by the company after three years.

More information on remuneration policy is available in the remuneration report which can be consulted on the website of USG People.

Contracts of employment Due to the acquisition of Solvus N.V. and the altered management structure involved, new contracts of employment have been agreed with the members of the Executive Board. The Code stipulates that immediately after the finalisation of a contract of employment its most important elements should be made public. This will take place as soon as the General Meeting of Shareholders agrees to the new remuneration policy on 9 May 2006.

Termination of employment and redundancy The old contract for members of the Executive Board set the period of notice at six months. The payment on ending the contract of employment stood at a maximum of one year's salary (once) calculated on the 'fixed' part of remuneration. In the event that a maximum amount of one time the annual salary for a member of the Executive Board who was dismissed in his first term of office is obviously unreasonable, this person would be liable for a dismissal pay of at least twice the annual salary.

The new contracts for the Executive Board include a period of three months' notice for executive directors and six months for the company. The maximum payment on termination of the contract of employment is the equivalent of one year's salary, in addition to the period of notice, this all being calculated on the fixed part of the remuneration. The increase in the redundancy arrangement also reflects the fact that a similar arrangement was included in the contracts of executive directors of Solvus N.V. In the event that a maximum amount of one time the annual salary for a member of the Executive Board who was dismissed in his first term of office is obviously unreasonable, this person would be liable for a dismissal pay of at least twice the annual salary.

No dismissal payments were made in 2005 and no personal loans or guarantees were granted to members of the Executive Board.

Securities transactions

The Model Code and the Tracking Compliance Program For some time USG People has maintained the so-called 'Model Code', a set of regulations for members of the Supervisory Board, Executive Board and Executive Committee with regard to transactions in the securities of the company. Members of the Executive Board, Supervisory Board and Executive Committee are also subject to the Tracking Compliance Program. This regulation includes an obligation to report all transactions in companies with registered offices in the Netherlands whereby the shares and/or depository receipts of shares are listed on a governmentally recognised stock exchange.

The Tracking Compliance Program is a direct consequence of the Code's best-practice stipulations II.2.6 and III.7.3 and has been in force since 1 January 2005.

To ensure compliance with the Tracking Compliance Program, the members of the above organs are required to report quarterly to an outside party ('Tracking Compliance Provider') on any transaction they have carried out in publicly listed Dutch companies. The Tracking Compliance Provider in this case is Holland van Gijzen Advocaten (attorneys) of Rotterdam. In the event of non-compliance with the regulation, measures will be taken, as set out in the regulation, ranging from an official warning to dismissal.

At the end of 2005, the Supervisory Board and the Executive Board jointly assessed the Tracking Compliance Program. The two boards concluded that the current regulation does not match with the underlying idea for such a regulation, such as preventing any possible conflict of interests and prevention of insider trading. In the view of the Supervisory Board and the Executive Board, mandatory prior reporting of trading in the securities of direct competitors (the so-called Peer group) is sufficient. Hence, USG People will adjust the Tracking Compliance Program effective 1 January 2006.

The adjustments will be adopted by the Supervisory Board and discussed at the General Meeting of Shareholders on 9 May 2006.

Conflicting interests

The regulations of the Supervisory Board and the Executive Board comprise rules covering possible conflicts of interest between USG People and members of the relevant organs. All transactions whereby a conflicting interest of executive or supervisory directors are involved, must be settled as per the usual standards in the industry.

Any such transactions are published in the annual report with notification of the conflicting interest, and a declaration of compliance with best practice stipulations III.6.1. up to and including III.6.3.

The regulations of the Supervisory Board and the Executive Board may be consulted via the website of USG People.

During the financial year 2005 no transactions occurred as under best practice stipulations II.2.4, II.6.3. and II.6.4. of the Code.

Protection measure

USG People does not have protection measures. The company only has ordinary shares which are listed on Euronext N.V. Amsterdam.

Internal organisation

Human resources management The turbulent financial year 2005 underlined that the substance and quality of the human resources policy are largely responsible for the realisation of the company strategy at USG People. Indeed, a good HR policy is the best guarantee of continuity for a company engaged in a people-business.

Proof of this mounted during the period under review. Top of the list, obviously, was that integration of the back office activities of the partners (USG and Solvus) stands or falls with successful HR guidance. This demands a great deal of attention both in the short and medium terms. Fortunately, in relative terms, much remained unchanged, thanks to complementary multi-brand strategy. But it is still essential to identify and reinforce common points of culture and 'blood groups', and so encourage mutual coherence and cooperation, also at the international level. In addition, we need to supervise the combination of our support activities, and motivate everyone towards change, particularly our personnel. The success of the collaboration will be largely determined by the extent and tempo in which we do it.

A business in transition In the longer term the chosen human resources policy will also be an important factor in enhancing the ability of USG People to stand out. The year 2005 also saw a transition realised in this context. The substance of the temporary employment and secondment business is changing and makes different demands on everyone involved. A good example is the intermediary. In an organisation like USG People he/she is undoubtedly a key figure. Now, advances in technology enable a new content for this function. In the past the intermediary spent most of the time selecting and actually placing candidates. Now, just over half of the job seekers we place in the specialist segments contact us via the Internet. In the year ahead this type of e-recruitment will only grow in importance.

Over the next several years the content and qualifications for the various functions will look quite different. The client and the job-seeker both demand a customised approach.

Our clients increasingly expect and trust us to act as a service provider able to match personnel capacity optimally with the dynamic of the given market. Meanwhile, the candidates expect us to empathise with their situation, and constructively identify openings for development and career opportunities. To cope with this shifting pattern of expectations, our staff have to think and work differently. What is good news is that they can free-up more time and brain-power for a personalised and pro-active approach. And so, USG will make sure to give its staff the tools and opportunities to fulfil differing roles, excellently. To this end we accelerated the pace in 2005, and in the next several years this policy will be high on our agenda.

E-campus One of the ways USG People exploits these developments is by further expanding e-learning activities. There had already been a successful smaller-scale try-out with an e-campus; this is an electronic platform where internal personnel can acquire new knowledge and share experience, when and where they prefer, at their own speed. E-campus will be deployed in the Netherlands in mid-2006 and then rolled out into the group's other countries. Provision of this facility has speeded-up the use of e-learning potential within USG People. We estimate that this development gives us a three to four year lead on our close competitors.

Management development programme Following an evaluation in 2005, sections of the management development programme for talented personnel were revised. USG People's attractions as an employer or intermediary are significantly determined by the way we actively help people to develop themselves, while offering them new career opportunities.

The adjustments mainly involve further fine-tuning of resources deployed. Hence, there were adjustments to working procedures for the successful Master-class (a group development process for high potentials). In the past we worked together towards a joint final assignment, now each participant produces and individually defends his/her own paper, which is assessed by a small panel of invitees.

The four behavioural competencies within the management development process were also expanded. Alongside result-orientation, personal effectiveness, willingness to work together and entrepreneurial spirit, the participants in the programme are now also stimulated to boost their drive for efficiency.

Organisational reorientation The year 2005 also saw the start on organisational reorientation of the HR function. Positioning as many responsibilities for personnel policy with the operating companies is a logical outcome of a multi-brand strategy in a widespread international network. Indeed, this is the level where they know specific market segments best. Meanwhile, monitoring of strategic developments and development of techniques and tools needed on the shop floor, takes place at group level. Over the next several years the decentralisation of part of the HR department's tasking package, plus reinforcement of HR staffing at the operating companies, will also run parallel with integration and development of new working procedures and knowledge exchange processes. Although USG People sets high targets both for personnel and management in this context, in an industry where employees are the key factor for success, this is an absolute must.

Employee participation structure The employee participation structure at USG People in the Netherlands was realigned towards the end of 2005. This reflected the acquisition of Solvus and the wish to realise a single employee participation structure for all Dutch operating companies. The works councils at Solvus will continue and a Group Works Council has been set up. The Group Works Council sends delegates to the Central Works Council. The Central Works Council met eight times in 2005, and consulted with one or more members of the Executive Board on seven occasions. Topics on the agenda included moving the last departments from Gouda to Almere, implementation of new automation systems in the front and back offices, and – naturally – the acquisition of Solvus.

ICT

The strong expansion of USG People also required broadening of the group's vision around ICT networks, systems and applications. While in the 'old' USG the standardisation of the ICT function in the Netherlands was almost complete, the acquisition of Solvus presented new (international) opportunities for a shared ICT infrastructure linking and reinforcing all the operating companies of USG People and the largest clients.

For the 130 ICT professionals active at the various levels of the group, this presents a double challenge. The networks, systems, applications and processes now in use must be integrated no later than the end of 2006, and a choice will have to be made for implementation of standards. In the meantime, the current systems must continue to operate – to high quality standards – at local and corporate levels, while remaining accessible for the information staff and other relevant parties.

For a knowledge company like USG People, a perfectly functioning ICT-system is highly significant, and remains so. It is the vision of the group that we offer all operating companies, personnel, clients, suppliers, flex workers and seconded staff the best possible ICT tools and services in order to streamline mutual cooperation – and to do so in a way that maintains a competitive edge for the company.

ICT also acts in a pioneering role for the transfer of shared standards and values and is a platform for the exchange and embedding of innovative ideas and best practices, as well as activating learning processes at an international level.

The now sharpened-up group ICT-strategy is based on four principles:

- total security
- high availability of applications and continuity of activities
- standard technology ensuring smooth integration between applications and processes
- modifiable ICT-architecture to anticipate new requirements

A secure environment is a must for business-applications and financial solutions contributing to stable support via uniform and standardised reporting and management systems. In addition, the systems that are in parallel use must be well accessible. Moreover, interfaces must be constructed between the various platforms to enhance connectivity. Together this must contribute to great synergy between systems and people.

Communication and information As a 'people company' USG People considers good internal and external communication and information exchange as a core competency. The knowledge and expertise amassed in the group over the years must be passed on and made accessible, while common standards and values are shared and embedded. Moreover, as a publicly listed company, USG People must also take a transparent stance for the outside world while maintaining active relations with the various stakeholders.

We have developed three approaches to internal group communication and installed the appropriate resources. In 2005 several new initiatives were developed to encourage and promote the crucial exchange of information (both top-down and bottom-up). Frequent information sessions and workshops were held in various countries for staff from all disciplines and countries across the group. In December 2005, there was a two-day international management meeting for decision/policy makers from all operating companies. Alongside briefings on group objectives, delegates gave pro-active input on streamlining implementation of a common vision during these strategy sessions. These meetings are also designed to boost cross-fertilisation between relatively independent brands and to exchange best practices.

Another objective of internal communication is to strengthen the sense of belonging to the group and to reinforce the group's experienced distinguishing power. A key issue here is the mutual affinity of the people who work with the group and identification with the strategic orientation at group and operating company level.

Moreover, 'uploading' of the group's core values is a very important issue. Alongside the gatherings already outlined above, 2005 saw the launch of a corporate newsletter, with four issues a year, as well as improved sharing of communication tools of the different brands of the group.

Advanced technology was fully deployed in spreading professional knowledge and functional information. This includes availability of a range of intranet and extranet sites in the group. All personnel have access to this IT infrastructure, which is coordinated by the group intranet.

The Internet is the most important info-carrier for external communication. We regularly update and expand our website, with key information on USG People, positioning, international spread, strategy, the various brands and the shared standards and values of the group.

Outlook

With the acquisition of Solvus USG People has a substantially broader geographic base whereby 55% of revenue is now realised outside the Netherlands.

In terms of revenue and profitability the Netherlands is still the most important market accounting for more than 50% of sales with specialised services.

The Dutch market is also undergoing a period of strong growth and it is good to see that the small to medium-sized enterprise sector – which is so important for USG People – is also in upward mode, with demand for flexibly deployable personnel showing an increase.

Belgium, our second home market, also shows stable growth with the market for specialists and professionals developing particularly strongly.

Partly due to the relatively low percentage of temporary personnel, the strongly upcoming Spanish, Italian and German markets are less dependent on economic growth so that further increases can be expected in the next several years.

In 2005 growth by France's sizable temporary employment market lagged behind other European countries and hopes for 2006 are not too high.

In 2005 USG People booked higher revenue growth quarter by quarter, whereby the fourth quarter showed accelerating growth. USG People expects that this development will continue into 2006, possibly gaining in strength.

With these factors in mind, we take a positive view of expected revenue and profit growth. Upward autonomous revenue growth, the further improvement of profitability and free cash flows continue to be our priorities in 2006.

Almere, 16 March 2006.

Executive Board

Alex Mulder, chairman

Ron Icke, CEO

Supervisory Board and Executive Management

Supervisory Board

Cor Brakel (1937, Dutch nationality). Mr. Cor Brakel is chairman of the Supervisory Board since 1998.

He chaired the Executive Board of Wolters Kluwer N.V. up to the end of 1999. Before this he held positions with companies including Shell and Elsevier. An economist by training, Mr. Cor Brakel sits on the supervisory boards of companies including Aalberts Industries N.V. and Athlon Groep N.V. His period in office ends in 2006. At the General Meeting of Shareholders in May 2006 he will be renominated as chairman of the Supervisory Board, for a period of four years.

Joost van Heijningen Nanninga (1946, Dutch nationality). Mr. Joost van Heijningen Nanninga

joined the Supervisory Board in April 2001. He is a partner in Egon Zehnder International and hence has broad expertise in the field of personnel and organisation. Mr. Joost van Heijningen Nanninga sits on the supervisory boards of companies including Athlon Groep N.V. and Krauthammer (Brussels). He is also an active member of various foundations and associations, including the United World College Foundation and the Vereniging Rembrandt. His period in office ends in 2009.

Marike van Lier Lels (1959, Dutch nationality). Ms. Marike van Lier Lels joined the Supervisory Board

in December 2002. She graduated from technical college in Dordrecht in 1983 and from Delft Technical University in 1986. Since then she has held a number of executive directorships with companies including Koninklijke Nedlloyd, Van Gend & Loos, Deutsche Post Euro Express and Schiphol Group. Among her other positions, Ms. Marike van Lier Lels is a member of the Supervisory Board of KPN, the Supervisory Commission of Delft Technical University, member of the Audit Committee of the Netherlands Court of Audit and of the Innovation Platform. At the General Meeting of Shareholders in May 2006, she will be renominated as member of the Supervisory Board for a period of two years.

Bert de Vries (1938, Dutch nationality). Mr. Bert de Vries joined the Supervisory Board in December 2002.

He graduated cum laude in economics in 1964 and gained his PhD in 1975 at the Vrije Universiteit, Amsterdam. From 1989 to 1994 he served as Minister of Social Affairs and Employment and currently holds a number of supervisory and executive directorships. In addition to the chair of bodies including Stichting Start and Start Foundation, he is a supervisory director of Imtech N.V., F. van Lanschot Bankiers N.V., Eneco N.V., and Quest International Nederland. His period in office ends in 2006. Mr. Bert de Vries has stated that he will not seek reappointment, with a view to reducing his activities.



Executive Board

Alex Mulder, chairman



Alex Mulder founded Unique Uitzendbureau at the age of 26. From 1972 to 1996 he developed Unique into a leading player in the employment market. The merger with Goudsmit N.V. followed in 1997, resulting in the publicly-listed United Services Group N.V. Following the acquisition of Solvus N.V., the company continued under the name USG People N.V. Up to 16 November 2005 Alex Mulder was CEO and President. Effective November 2005 he transferred the function of CEO to Ron Icke. Since then Alex Mulder has held the position of chairman of the Executive Board. At the General Meeting of Shareholders Alex Mulder will be nominated as member of the Supervisory Board of USG People N.V. and will pass his task as chairman of the Executive Board to Ron Icke.

Alex Mulder (1946) has Dutch nationality.

Ron Icke, CEO



Ron Icke has been CEO of USG People since November 2005. In this position he is also chairman of the Executive Committee. Ron Icke joined the temporary employment industry in 1991 as director of Goudsmit. When Goudsmit merged with Unique International in 1997 he was appointed CFO of the new group, United Services Group. Since then he has been a member of the Executive Committee. He is also supervisory director of Gropeco and the Röntgen Technische Dienst. Ron Icke qualified as a chartered accountant in Amsterdam in 1986 with the NIVRA (Netherlands Institute of Chartered Accountants). He started his career at PricewaterhouseCoopers, where he worked as an accountant for 14 years. His responsibilities covered the general auditing practice and merger & acquisition investigations.

Ron Icke (1957) has Dutch nationality.

Up to the General Meeting of Shareholders on 9 May 2006 the Executive Board will be supported by Alain Dehaze and Rob Zandbergen, respectively in the functions of intended COO and intended CFO. The Supervisory Board will inform the General Meeting of Shareholders of the intended nomination of Alain Dehaze and Rob Zandbergen to the Executive Board.

Alain Dehaze, COO



Alain Dehaze has been COO of the group since USG People was set up. After a career in several other sectors, he moved to the temporary employment industry in 2000. Initially he was General Manager of Creyf's Belgium, a subsidiary of the publicly listed Solvus. Subsequently he was appointed General Manager of Creyf's International. In October 2002 he was appointed CEO of Solvus. Alain Dehaze graduated in 1986 as a commercial engineer, after which he was active in a number of commercial posts with Henkel-Ecolab. This included European Directorship of Product Management and Corporate Accounts. Following this he was with ISS (International Service System) for several years as Business Development Director ISS Europe and later Managing Director ISS-NWG Germany.

Alain Dehaze (1963) has Belgian nationality.

Rob Zandbergen, CFO



Rob Zandbergen was appointed CFO when USG People was founded. He has been active in the temporary employment sector since early 2003 as CFO of Solvus. He also sits on the board of the ABU, the Dutch association of temporary work agencies.

Rob Zandbergen graduated from the Royal Netherlands Military Academy in Breda (speciality administration-economics). He went on to study business economics at the University of Amsterdam. His career started at the Ministry of Defence where he held several financial positions. In 1990 he moved to the business world, first as Corporate Controller at KPN International, followed by various national and international financial directorship functions. He subsequently became CFO of the SNT Group N.V., a publicly listed Dutch company.

Ron Zandbergen (1958) has Dutch nationality.

Executive Committee

Hans Coffeng, EVP Specialist Staffing & Professionals Netherlands



Hans Coffeng started with Unique Nederland in 1993 as an intern completing his sociology studies at Groningen University. His first job was as an intermediary. In 1999 he was appointed General Manager of Unique Nederland. In 2001 Hans Coffeng became Director of the United Office Services division, and effective 1 January 2003 he was appointed Executive Vice President of United Services Group and a member of the Executive Committee.

As Executive Vice President, Hans Coffeng is responsible for all specialist activities in the Netherlands (Specialist Staffing & Professionals). Alongside his tasks at USG People, Hans Coffeng is a supervisory director of the Nijestee Housing Corporation in Groningen.

Hans Coffeng (1967) has Dutch nationality.

Johan Crijns, EVP Germany, Austria, Switzerland, Poland, and Corporate Sales & Marketing



Johan Crijns qualified as a commercial engineer at the University of Leuven. He went on to gain supplementary qualification in marketing at the IAE in Aix-en-Provence. He started his career as Product Manager and later Marketing Manager with Unilever in Belgium. He went on to become Brand Manager, Marketing Manager and Regional Sales Director (2000) with Carrefour Belgium. After moving to the temporary employment industry he joined Expectra Belgium (part of Vedior Holding) as General Manager. In 2003 he became General Manager of Creyf's Belgium and in 2005 joined the Executive Committee of Solvus.

As Executive Vice President, Johan Crijns is responsible for all activities in Germany, Austria, Switzerland and Poland. He shares responsibility for corporate marketing and sales.

Johan Crijns (1965) has Belgian nationality.

Board

Yvan Dierckxsens, EVP Belgium, Luxemburg, France, Spain and Portugal Yvan



Dierckxsens started his career with Royale Belge as a Consultant for the Employee Benefit Plan. He has been with United Services Group since 1989, first as Director of the Belgian temporary employment businesses. In 1999 he was appointed Divisional Director for Belgium. He joined the Executive Committee of United Services Group in 2000. He is also chairman of Federgon, the Belgian federation for temporary employment, recruitment & selection, outplacement, projects, training, secondment and interim management. As Executive Vice President, Yvan Dierckxsens is responsible for all activities in Belgium, Luxemburg, France, Spain and Portugal.

Yvan Dierckxsens (1961) has Belgian nationality.

Albert Klene, EVP General Staffing & HR Services Netherlands and EVP Italy Albert



Klene graduated in economics at the University of Amsterdam in 1987, after which he joined Koninklijke TPG Post. He started as Manager Manual Sorting, then becoming Director VSP Group (Network VSP) and Managing Director VSP Group, member of the Mail Executive Board and Director Operations European Mail Networks.

In 2005 he moved to Solvus as Executive Vice President.

As Executive Vice President, Albert Klene is responsible for general temping activities and HR services in the Netherlands and all activities in Italy.

Albert Klene (1961) has Dutch nationality.

Evamaria de Boer, CVP Human Resources Evamaria de Boer



Evamaria de Boer studied for her degree in Politics of the Employment Market and Personnel Policy while working as a 'temp' with Unique Uitzendburo. In 1982 she joined full time as an intermediary with Unique Uitzendburo. In 1984 she became a Personnel Officer and in 1987 was appointed Manager Personnel & Organisation. In 1993, after five years as Head of Personnel & Organisation at the RAI Congress and Trade Fair Centre in Amsterdam, she returned as a member of the management team at Unique Nederland. In 2001 she was appointed Corporate Director Human Resources of United Services Group. Two year later she took shared responsibility for steering United Services Netherlands (the Shared Service Center in the Netherlands).

As Corporate Vice President, Evamaria de Boer is responsible for human resources.

Evamaria de Boer (1957) has Austrian nationality.

Leo Houwen, CVP Corporate Affairs



Leo Houwen started out in various commercial functions and in 1975 was appointed District Manager at Interlance Uitzendburo. He became Commercial Director and in 1980 was appointed Interlance's Managing Director. This company was taken over by Vedior Holding. In 1989, Leo Houwen made the move from General Manager of Vedior Uitzendbureaux to Unique Uitzendburo, where he has been a member of the Executive Committee since 1992. Since 1994 Leo Houwen has sat on the executive committee of the ABU (the Dutch association of temporary employment agencies), and is currently vice chairman.

As Corporate Vice President, Leo Houwen is responsible for corporate affairs.

Leo Houwen (1949) has Dutch nationality.

Jan van Duijn, CVP Finance, Administration & ICT



Jan van Duijn joined Goudsmit as Controller in 1989. In early 1991 he was appointed the General Manager Back Office of Goudsmit. After Goudsmit merged with Unique International, he was appointed to the posts of Director Finance and Administration and Director Back Office at Unique International in 1998. Three years later he was appointed Corporate Director Administration, Finance and ICT. Along with steering the back office, the appointment made him responsible for financial management and reporting for sections of United Services Group.

As Corporate Vice President, Jan van Duijn is responsible for finance, administration and ICT, as well as for the group's Shared Service Centers.

Jan van Duijn (1963) has Dutch nationality.

The background features several light purple circular shapes of varying sizes and a large, stylized, wavy purple shape that resembles a mountain range or a series of hills. A thin horizontal line is positioned near the top of the page, and a curved line starts from the left edge and ends near the center of this horizontal line.

Annual Accounts

Annual Accounts

1 Consolidated income statement

Note:	In thousands of euros	2005	2004
5.26	Net revenue	1,977,609	1,300,250
5.28	Cost of sales	1,471,074	936,177
	Gross profit	506,535	364,073
5.29	Selling expenses	-382,362	-283,451
5.29	General and administrative expenses	-59,988	-58,257
5.27	Other income and expenses	-	14,502
	Operating income	64,185	36,867
5.30	Financial expenses	26,287	9,295
	Income before taxes	37,898	27,572
5.31	Income tax expenses	16,669	3,189
	Net income	21,229	24,383
	Attributable to:		
	Equity holders of the Company	21,077	24,189
	Minority interest	152	194
		21,229	24,383
	Earnings per share attributable to the shareholders of the Company (in euros)		
5.42	Basic	0.85	1.07
5.42	Diluted	0.77	1.05

2 Consolidated balance sheet at 31 December

Note:	In thousands of euros	2005	2004
	Non-current assets		
5.32	Property, plant and equipment	57,088	33,418
5.33	Goodwill	776,005	178,063
5.34	Other intangible assets	141,859	8,478
5.36	Financial fixed assets	7,209	-
5.37	Deferred income tax assets	105,705	79,874
5.38	Other non-current assets	11,572	10,035
		1,099,438	309,868
	Current assets		
5.39	Trade and other receivables	665,034	268,516
	Current income tax receivables	-	3,723
5.40	Cash and cash equivalents	300,807	22,633
		965,841	294,872
	Total assets	2,065,279	604,740
5.41	Capital and reserves attributable to shareholders		
	Share capital	319,751	92,095
	Other reserves	13,842	-
	Retained earnings	138,616	126,676
		472,209	218,771
	Minority interest	2,264	385
	Total equity	474,473	219,156
	Non-current liabilities		
5.43	Borrowings	435,272	118,000
5.44	Retirement benefit obligations	4,423	5,515
5.45	Other provisions	8,269	8,222
5.37	Deferred income tax liabilities	53,236	2,984
		501,200	134,721
	Current liabilities		
5.46	Borrowings	543,933	39,385
5.47	Trade and other payables	514,536	195,900
	Income tax liabilities	1,432	-
5.49	Derivative financial instruments	4,269	-
5.45	Other provisions	25,436	15,578
		1,089,606	250,863
	Total liabilities	1,590,806	385,584
	Total equity and liabilities	2,065,279	604,740

3 Consolidated statement of changes in shareholders equity

Note:	In thousands of euros	Attributable to equity holders of the Company			Minority interest	Total equity
		Share capital	Other reserves	Retained earnings		
	Balance at 1 January 2004	92,067	-	111,710	178	203,955
1	Net income 2004	-	-	24,189	194	24,383
	Total income 2004	-	-	24,189	194	24,383
5.29.2	Exercised option rights	28	-	-	-	28
5.42.3	Dividend relating to 2003	-	-	-9,074	-	-9,074
	Other changes	-	-	-149	13	-136
		28	-	-9,223	13	-9,182
	Balance at 31 December 2004	92,095	-	126,676	385	219,156
5.49	Adjustment due to first time adoption IAS 32/39	-	-	-583	-	-583
	Balance at 1 January 2005	92,095	-	126,093	385	218,573
1	Net income 2005	-	-	21,077	152	21,229
	Total income 2005	-	-	21,077	152	21,229
5.27	Minority interest acquisition	-	-	-	1,727	1,727
5.41	Issue of share capital	224,405	-	-	-	224,405
5.29.2	Exercised option rights	3,251	-	-	-	3,251
5.43.3	Equity component of convertible subordinated bond	-	13,842	-	-	13,842
5.42.3	Dividend relating to 2004	-	-	-9,084	-	-9,084
5.27	Other changes	-	-	530	-	530
		227,656	13,842	-8,554	1,727	234,671
	Balance at 31 December 2005	319,751	13,842	138,616	2,264	474,473

4 Consolidated cash flow statement

Note:	In thousands of euros	2005	2004
	Cash flows from operating activities		
1	Result before taxes	37,898	27,572
	Adjustments for:		
5.29	Depreciation and amortisation	33,277	25,224
5.27	Profit on sale of subsidiary	-	-14,502
5.30	Fair value result on derivative financial instruments	3,319	-
5.30	Interest expenses	22,968	9,295
5.45	Change in other provisions	5,625	8,400
	Changes in working capital:		
	- trade and other receivables	-42,521	-28,796
	- trade and other payables	57,635	27,362
	Cash flows from operating activities	118,201	54,555
	Income tax paid	-3,227	-7,628
	Net cash flows from operating activities	114,974	46,927
	Cash flows from investing activities		
5.27	Acquisition of subsidiaries	-551,929	-
5.32	Purchases of property, plant and equipment	-11,586	-9,073
5.34	Purchases of intangible assets	-5,553	-3,480
5.32	Disposal of tangible assets	-	836
5.27	Proceeds from sale of subsidiary	-	31,275
	Loans granted	382	-
	Net cash used in investing activities	-568,686	19,558
	Cash flows from financing activities		
5.41	Proceeds from issuance of shares	224,405	28
5.43	Proceeds from issuance of convertible subordinated bond	110,655	-
5.43	Proceeds from borrowings	295,677	-
5.43	Repayments of borrowings	-43,000	-59,434
	Interest received	-	577
	Interest paid	-20,748	-8,342
5.41	Dividends paid	-9,084	-9,074
	Change in current borrowings	-89,835	13,653
	Net cash flows from financing activities	468,070	-62,890
	Increase in cash	14,358	3,595
	Change in cash		
	Cash and cash equivalents at beginning of the year	22,633	19,038
	Increase in cash and cash equivalents	14,358	3,595
5.40	Cash and cash equivalents at 31 December	36,991	22,633

5 Notes to the consolidated financial statements

5.1 General

USG People N.V. has registered offices in Almere, the Netherlands. USG People provides all forms of flexible employment and a range of other services around human resources, education & training and customer care. During the second half of the year USG People N.V. acquired the Belgium company Solvus N.V.. As a consequence of this acquisition the Group now operates in eleven countries in Europe.

The consolidated IFRS financial statements of the company for the year ended 31 December 2005 comprise the company and its subsidiaries (together referred to as 'the Group').

An overview of the most important subsidiaries is shown in chapter 6. The corporate structure of USG People N.V. is a legal entity with limited liability (public limited Company) according to Dutch law. The shares of the Company are listed on the Amsterdam stock exchange (Euronext N.V.).

The financial statements were prepared by the Executive Board on 16 March 2006 and released for publication on 17 March 2006. The annual report and financial statements for 2005 were discussed in the meeting of the Supervisory Board on 16 March 2006 and will be submitted for adoption to the General Meeting of Shareholders on 9 May 2006.

In preparing the financial statements USG People N.V. the exemption at art. 402 Book 2 of the Dutch Civil Code was applied in regard to the Corporate income statement.

Summary of significant accounting policy

5.2 Basis of preparation

The consolidated financial statements for 2005 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as accepted within the European Union. These consolidated financial statements are the first financial statements of the Group to be prepared in line with IFRS regulations.

Notes on the transition to IFRS and the consequences of this on the reported financial position, the financial performance and the cash flow of the Group are shown in chapter 7.

The financial statements are presented in Euro (Eur). Amounts are shown in thousands of Euros unless otherwise indicated. The Euro is the functional and presentation currency of USG People.

The financial statements are prepared in accordance with IFRS whereby the executive board is required to make assessments, estimates and assumptions which influence application of accounting principles and the amounts reported for assets, equity, liabilities, obligations, income and expenditure. The estimates made and the related assumptions are based on historic experience and several other factors which are considered to be reasonable under the given circumstances.

The estimates and assumptions made, serve as the basis for assessment of the value of the assets and liabilities as rendered, whereby the amounts are not currently apparent from other sources. Actual results may diverge from the estimates made.

Estimates and underlying assumptions are subject to constant assessment. Changes in estimates and assumptions are recognised in the period in which the estimates are revised where the revision exclusively relates to the relevant period or the period of revision and future periods where the revision influences both current and future periods.

Assessments by management in the application of IFRS which have a significant effect on the financial statements and estimates with a risk of possible substantive inaccuracies in the following year are included in notes 5.55.

Group companies consistently apply the principles for valuation and determination of result to the period presented in these consolidated financial statements and to formulation of an IFRS opening balance sheet as per 1 January 2004 as part of the transition to IFRS, with the exception of incorporation and revaluation of financial instruments on the basis of IAS 32/39. These standards have been applied by the Group as from 1 January 2005. The valuation and incorporation of the financial instruments in the comparative figures for 2004 are based on Dutch legislation and regulations as observed by the Group in the financial statements for 2004.

Out of the already published but not yet implemented standards and amendments to published standards only the amendment IAS 19 (Employee Benefits) in regard to an alternative recognition approach for actuarial gains and losses could possibly have an effect on the financial statements for 2006. The Executive Board is currently investigating which incorporating method will be applied as from 2006.

5.3 Consolidation subsidiaries

Subsidiaries are all entities over which the Group has direct or indirect power to govern of a majority of voting rights or has control of financial and operating policies, in some other manner. The subsidiaries are fully consolidated as from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase price accounting method is applied to the acquisition of subsidiaries by the Group.

The acquisition price for acquired companies is determined by fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange plus the costs directly allocated to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially carried at fair value on acquisition date, irrespective of minority interests. The excess of the acquisition cost of the acquired entity and the fair value of assets and liabilities that are identifiable and attributable to the Group, is recognized in goodwill. Where the cost of acquisition is less than the fair value of assets and liabilities that are identifiable and attributable to the Group, the difference is recognised directly in the income statement (5.7).

Intercompany transactions, balances and unrealised results on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5.4 Foreign currency

5.4.1 General

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, this being the Company's functional and presentation currency.

5.4.2 Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates at the dates of the transactions. In foreign currency denominated monetary assets and liabilities are translated into the functional currency at balance sheet date exchange rates. Translation differences are recognised in the income statement.

5.4.3 The financial statements of subsidiaries with a currency other than Euro

The assets and liabilities of subsidiaries with a functional currency other than Euro, including goodwill and fair value corrections occurring on consolidation, are translated into the presentation currency at the exchange rate at year-end. The revenue and costs of these subsidiaries are translated into the presentation currency at the exchange rates nearest the rates applying on the date of the transaction. Currency translation differences are booked directly to equity in the translation differences.

5.5 Derivative financial instruments

Derivative financial instruments are initially recognised in the financial statements at fair value on the date of entering into a contract and are then remeasured at fair value on every reporting moment. Changes in the fair value of derivative financial instruments are immediately recognised in the income statement. The Group does not apply hedge accounting.

5.6 Property, plant and equipment

5.6.1 Owned assets

Property, plant and equipment are valued at historic cost less depreciation, determined on the basis of estimated useful life and impairment losses.

5.6.2 Assets under lease

Lease contracts whereby the Group actually owns all risks and benefits are classified as financial leases. Property, plant and equipment acquired through a financial lease are carried at the lowest of fair value and the present value of the minimum required lease payments at the start of the lease, less the accumulated depreciation (5.6.3) and impairment (5.12). Lease payments are shown at 5.21.1 and 5.21.2.

5.6.3 Depreciation

Depreciation expenses are charged to the income statement by the straight line method based on the estimated lifespan of an asset. There is no depreciation on land. The estimated useful life of property, plant and equipment varies per category, as follows:

Category	Years
Buildings	40
Furnishing and rebuilding	5-10
Computers and peripheral equipment	3-5
Furniture, fittings and equipment	5

The assets' residual value, method of depreciation and period of deprecation (component method) are reviewed on balance sheet date and adjusted if appropriate via changes in accounting estimates in the financial year and subsequent periods.

5.7 Goodwill

All acquisitions are recognised under the purchase price accounting method. Goodwill results from the acquisition of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the net acquired, identifiable assets, liabilities and conditional liabilities at acquisition date. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

In the event that the goodwill on acquisition relates to several cash-generating units, these are allocated pro rata to the net estimated value of the relevant cash-

generating unit in the net estimated value of the entire acquisition (purchase price allocation).

Goodwill is not amortised but is subject to annual testing for impairment (5.12).

Any negative goodwill resulting from the acquisition is directly recognised to the income statement.

In the event of the sale of an entity the value of the goodwill is recognised in the operating result.

5.8 Other intangible assets

5.8.1 Trade marks and licences

Trade marks and licenses which are registered or protected by law and which are obtained via an acquisition are initially recognised at fair value, which thereafter is taken as cost price. Trade marks and licences have a finite service life and are carried at cost price less amortisation and impairment. Amortisation expenses are charged to the income statement by the straight line method based on a maximum 10 year estimated useful life for the trade marks owned. The licensed trade marks are charged to the income statement using the straight line method, based on the duration of the licence contract.

5.8.2 Customer relationships

Customer relationships obtained through acquisition are on initial recognition carried at fair value which is then taken as costprice. Customer relationships have a limited useful life and are carried at cost less amortisation and impairment. Amortisation expenses for customer relationships are charged to the income statement using the straight line method, based on the estimated useful life of 8 years.

5.8.3 Software

Acquired software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Software developed in-house is capitalised insofar as the cost results from the development phase of an in-house project and that it can be demonstrated that the project is technically feasible, that it is intended to complete the project and to actively use it, that in future it will generate economic benefits, that there are technical, financial and other means present to actively complete it and to use it, and that it is possible to determine outgoings attributable to the asset developed.

Amortisation expenses are charged to the income statement using the straight line principle, based on an estimated useful life of 3 to 5 years.

5.8.4 Other intangible assets

Other intangible assets acquired by the Group are carried at cost less accumulated amortisation and impairment. (5.12).

Amortisation expenses are charged to the income statement using the straight line principle, based on an estimated useful life of 5 years.

5.9 Financial assets

5.9.1 Loans and receivables

Loans and receivables are financial assets (not being derivative financial instruments) not quoted in an active market, with fixed or determinable payments and are carried as per 5.10. They are included in current assets, except for maturities greater than 12 months after balance sheet date, in which case they are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

5.9.2 Guarantee deposits

Guarantee deposits (mainly lease guarantees and leasing rights) which do not have a set due date are recognised at cost price. Where there is a set maturity they are carried at amortised cost using the effective interest method. In the event of guarantees related to lease contracts any discounting is postponed and booked to lease expenses during the course of the lease contract.

5.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value (often face value) less impairment for bad debts. Following initial recognition subsequent recognition will be on the basis of the amortised cost price. Services supplied but not yet billed to the client are recognised under trade receivables.

5.11 Cash and cash equivalents

Cash and cash equivalents, including cash in hand, bank balances and direct demand deposits are carried at face value. Current account overdrafts are carried as borrowing under current liabilities on the balance sheet.

5.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed annually and an assessment is made as to whether they are subject to impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In order to determine impairment individual assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

5.12.1 Calculation of recoverable value

The recoverable value of assets is whichever is the highest out of the fair value minus selling expenses or economic value. In determining economic value the present value of estimated future cash flows is calculated on the basis of a discount factor, before tax, which is the repercussion of both the actual market assessments of the time value in money and of the specific risk relating to the asset.

In the case of an asset that does not generate cash flows

and which is largely independent of other assets, the recoverable value is determined for the cash-generating unit to which the asset belongs.

5.13 Share capital

5.13.1 Share capital

Share capital is qualified as equity.

5.13.2 Dividends

Dividends are shown as a liability for the period in which they are to be paid.

5.14 Convertible subordinated bond

On initial recognition in the financial statements loans are shown at fair value, net of transaction costs and thereafter at the amortised cost. The difference between the revenues (net of transaction costs) and repayment value is recognised in the income statement during the term of the loan according to the effective interest method. The fair value of that part of the convertible bond deemed to be a liability is determined using the market interest of a comparable, non-convertible bond. The amortised cost is recognised as a liability up to conversion date or to the end of the term of the bond. The rest of the return is attributable to the conversion option, which is recognised in equity, net of taxes.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

5.15 Long-term interest-bearing borrowings and liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

5.16 Deferred income tax assets and liabilities

Deferred income tax is recognised in the consolidated financial statements for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

In the event of a deferral occurring at the initial recognition in the financial statements of an asset or liability resulting from a transaction (other than a business combination) which neither affects accounting nor taxable profit or loss, this deferral is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is foreseeable that the future taxable profit will be available against which the temporary differences and

available tax losses can be utilised.

Deferred income tax assets and liabilities are recognised for temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

5.17 Employee benefits

5.17.1 Pension schemes based on defined contribution plans

Under a defined pension contribution scheme the Group pays fixed amounts to another entity.

Liabilities in regard to contributions to pension and pension-related plans (based on defined contributions) are recognised as a charge in the income statement in the period to which these relate. Except the payment of premiums the Group has no further obligations.

5.17.2 Defined benefit pension scheme

Under a defined benefit pension scheme the amount of paid pension rights determines the amount the employee receives on achieving pensionable age, whereby this is mainly dependent on factors such as age, years of service and remuneration

The Groups' net liability in regard to pension rights granted is calculated separately in each case, on the basis of the present value of the obligation due to the defined benefit pension scheme on balance sheet date, less the fair value of the plan assets. The discount rate is the return on balance sheet date of sound corporate or government bonds whereby the duration approaches the term of the Group's liabilities. The calculations are performed by an author-

ised actuary using the projected unit credit method. When payments under a pension scheme are increased the amount of the increased payment relating to the time employed, the payments are charged to the income statement using the straight line method up to pension entitlement being granted. Insofar as entitlements are immediately granted the charge is immediately recognised in the income statement.

Under IFRS all actuarial profit and loss is recognised in net liability as of 1 January 2004 pursuant to the option provided in IFRS 1. Actuarial gains and losses arising from experience adjustments and charges in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income during the expected, average remaining working lives of the employees concerned. The as yet not recognised pension costs for the time employed are directly recognised in the income statement, unless the changes in the pension scheme are conditional on employees remaining in service for a set period of time (the vesting period). In this case the past-service costs are amortised on a straight-line basis over the vesting period. Where the calculation results in an asset item for the Group, this is limited to the net total of any non-recognised actuarial losses and the present value of future refunds by the fund or lower future payments.

5.18 Other provisions

5.18.1 General

A provision is recognised in the balance sheet in the event of a legally enforceable or constructive obligation for the Group due to a past event, and where it is probable that the settlement of the obligation will require an outflow of funds. Where this has a substantive effect the provisions will be determined by discounting the expected future cash flows in line with a discount rate before tax which reflects the actual market valuations and the time value of money and, where necessary, the specific risks of the obligation.

5.18.2 Restructuring

A provision has been made in regard to restructuring where the Group has presented a restructuring plan and restructuring has been started or made known in the public domain. Costs relating to future activities are not included in the restructuring provision.

5.18.3 Exit-scheme payments

The net liability of the Group for deferred employee remuneration is the amount of the future payment to employees for services rendered in current and past periods.

The net liability of the Group in regard to the exit-scheme (not being pension provisions) is the amount for future payments based on accrued years in employment. The liability is calculated by the projected unit credit method. The discount rate is the return on balance sheet date of sound corporate or government bonds where the term approaches that of Group liabilities.

5.19 Trade and other payables

Trade and other payables are recognised at cost/nominal value.

5.20 Income

5.20.1 Net revenue

Income is recognised insofar as it is likely that the economic benefits will flow to the Group and insofar as the income can be measured reliably. Group income mainly results from provision of services to third parties (not including Group services) after deduction of sales tax and discounts awarded to clients. These services mainly comprise:

- Temporary employment and secondment services: provision of employees whereby hours worked relating to the financial year under review, are recognised as revenue at agreed rates.
- Call centre services: handling telephone operations for third parties. The revenue comprises units (counts or telephone calls) relating to the year under review at an agreed rate.
- Training services: provision of high-school courses whereby the school fees are calculated for the period in which classes are given.
- Recruitment and selection services: the recruitment and selection of employees for third parties whereby revenue is received at such time as the commission is successfully completed, whereby this is based on contractual invoicing conditions.
- Reintegration services: supporting reintegration services for third parties at an hourly rate, insofar as this occurs during the year under review.
- Fees for IT and engineering projects based on a fixed

process is taken to be revenue according to the completion phase of the contract.

- Outplacement: coaching/support of persons entering a new job in the employment market. Revenue is determined on the basis of coaching-hours per person compared with total estimated hours per coaching person.

No revenue is recorded in the event of major uncertainties about the collectability of receivables.

5.20.2 Other gains and losses

Other gains and losses are proceeds and expenditures that do not result from regular business activities, such as proceeds from the sales of non-monetary assets or liabilities.

5.21 Costs

5.21.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement, on a straight line basis, over the period of the lease.

5.21.2 Financial leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as financial leases. The minimum lease payments are charged partly as borrowing costs and partly as settlement of the outstanding liability.

The financial expenses are attributed to each period in the total lease period in such a way that this results in a constant, regular interest rate on the remaining balance of the liability.

5.21.3 Share-based remuneration

USG granted options to key management employees up to and including 2004. These options could be exercised fully and unconditionally. IFRS1 does not require valuation for option schemes that can be fully and unconditionally exercised before 1 January 2005.

At such time as the options are exercised the income obtained is recognised as share capital (for nominal value) and premium, net of transaction costs.

In 2005 USG only once granted shares to key management employees. The fair value of the shares at the time they were granted is recognised in the income statement as part of employee remuneration.

5.21.4 Financial expenses

Financial expenses comprise interest due on drawn monies calculated by the effective interest method and changes in the fair value of derivative financial instruments.

5.22 Taxation

Tax on profit on the income for the financial year comprises taxes due for period under review together with recoverable and deferred income tax.

Tax on profit is shown in the income statement except insofar as this relates to items directly recognised in equity. In the latter case the related tax is also recognised in equity.

Tax due and recoverable in the period under review comprises income tax on the taxable income calculated on the basis of legally determined tax rates, and correction on tax for previous financial years.

Additional income tax on profit for dividend payments is

recognised at the same time as the obligation to pay the relevant dividend.

5.23 Net earnings per share

The net earnings per ordinary share are calculated as the net income due to ordinary shareholders divided by the weighted average number of issued shares for the relevant period. The diluted profit of an ordinary share is calculated as the profit divided by the weighted average number of issued shares, including the number of ordinary shares that would be issued on the exercise of share options placed and the convertible bond (only insofar as this conversion or exercise will lead to dilution).

5.24 Policies for the statement of cash flow

The statement of cash flow is presented by the indirect method. The statement of cash flow differentiates between cash flows from operating, investment and financing activities. Cash flows in foreign currency are translated at the average rate during the financial year. Returns and expenditure before income tax on profit are recognised under cash flow from operating activities.

Interest paid and received are included under cash flow from financing activities.

Cash flows due to acquisition or disposal of financial interests (subsidiaries and participating interests) are included under cash flow from investment activities with account being taken of actual cash and cash equivalents in these interests.

Dividends paid out are recognised under cash flow from financing activities.

5.25 Financial risk factors

Risk management is carried out by the central treasury department. Treasury identifies and evaluates financial risks and if necessary hedges these in close cooperation with the Group's operating units.

The Group's interest policy is dynamic and among other things dependent on expectations in regard to the course of interests and the economic cycle.

5.26 Segment information

5.26.1 General

Information is provided for the group's business and geographical segments. The breakdown of segments as set out in 5.26.2 is based on volumes, intensity of client contacts and types of activity. Segment incomes, assets and liabilities comprise items directly attributable to the relevant segment as well as items that can be reasonably attributable to the segment. Unallocated items mainly comprise deferred income taxation and long-term interest-bearing debt and costs, as well as joint assets and costs. Investments in property, plant and equipment and intangible assets of a segment relate to the total of costs for acquisition (during a review period) of the assets of the segments which are expected to be utilised for longer than a (given) period under review.

5.26.2 Business segments

The Group's activities are divided over the following business segments:

- **General Staffing:** Provision of flexible solutions around general temporary employment and secondment for organisations and job-seekers alike. Services concentrate on the governmental, education, hotel and catering, constructions, technical, industry, transportation and logistics sectors.
- **Specialist Staffing:** Provision of specialised flex-solutions for functions including administration, financial, secretarial, call centres, technical and medical.
- **Professionals:** This segment focuses in recruiting high-grade specialists and employees for secondment in areas including constructions, civil and mechanical engineering, electro technology, petro/chemicals, telecoms, ICT, HR and legal.

- HR Services: Customised HR solutions around recruitment and selection, direct search, assessment, career support, coaching, HR consultancy, outplacement and reintegration.
- Training & Education: This segment provides accelerated higher education courses for management, marketing and communications functions.
- Customer Care: High grade customer contact centres focusing on knowledge intensive services including sales, recruitment, information provision, complaints and processing e-mail.

In view of their scale relating to the other segments, the following overview of segments combines HR Services, Training & Education and Customer Care, under Other activities.

Segmentation per activity

	General Staffing		Specialist Staffing		Professionals	
	2005	2004	2005	2004	2005	2004
Net revenue	1,102,405	658,489	670,925	491,413	134,951	79,423
Costs	1,081,963	651,703	623,294	456,749	121,138	71,763
Operating income	20,442	6,786	47,631	34,664	13,813	7,660
Operating income as percentage of revenue	1.9%	1.0%	7.1%	7.1%	10.2%	9.6%
Assets	874,500	166,113	589,058	216,279	163,420	54,422
Liabilities	444,792	106,238	167,248	55,795	51,396	10,090
Capital expenditure	4,997	1,279	3,611	2,062	363	34
Depreciation and amortisation	6,215	15,592	14,877	3,201	1,614	430

Geographic segmentation

	The Netherlands		Belgium/ Luxemburg		France	
	2005	2004	2005	2004	2005	2004
Net revenue	1,076,651	849,594	369,097	201,354	146,968	-
Costs	1,015,580	818,903	344,967	186,563	145,915	-
Operating income	61,071	30,691	24,130	14,791	1,053	-
Operating income as percentage of revenue	5.7%	3.6%	6.5%	7.3%	0.7%	-
Assets	894,681	326,479	321,328	52,058	228,170	-
Liabilities	350,439	145,372	166,255	24,903	93,885	-
Capital expenditure	3,234	7,950	3,917	1,682	307	-
Depreciation and amortisation	14,800	16,559	3,808	1,439	212	-
Employees (direct and indirect) on full-time basis	28,824	24,847	9,856	5,212	5,161	-

* Other comprises Germany, Austria, Switzerland and Poland

Other activities		Unallocated		Total	
2005	2004	2005	2004	2005	2004
69,328	70,925	-	-	1,977,609	1,300,250
66,287	73,723	20,742	9,445	1,913,424	1,263,383
3,041	-2,798	-20,742	-9,445	64,185	36,867
4.4%	-3.9%	-	-	3.2%	2.8%
102,306	59,551	335,995	108,376	2,065,279	604,740
51,942	26,779	875,428	186,682	1,590,806	385,584
1,089	1,781	7,079	5,099	17,139	10,255
2,471	1,530	2,897	4,471	28,074	25,224

Spain and Portugal		Italy		Other*		Unallocated		Total	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
254,273	194,026	63,918	34,641	66,702	20,634	-	-	1,977,609	1,300,250
252,888	190,861	64,663	36,323	68,669	21,286	20,742	9,445	1,913,424	1,263,383
1,385	3,165	-745	-1,682	-1,967	-652	-20,742	-9,445	64,185	36,867
0.5%	1.6%	-1.2%	-4.9%	-2.9%	-3.2%	-	-	3.2%	2.8%
138,584	80,082	64,813	17,203	81,709	20,544	335,994	108,376	2,065,279	604,740
56,234	19,480	22,105	6,576	26,461	-	875,427	189,253	1,590,806	385,584
2,274	480	168	119	160	24	7,079	-	17,139	10,255
3,782	1,809	392	724	2,183	222	8,100	4,471	33,277	25,224
13,946	9,997	2,598	1,364	3,694	758	-	-	64,079	42,178

5.27 Acquisitions and sales of subsidiaries

5.27.1 Acquisition Solvus Resource Group

On 19 August 2005 USG People N.V. acquired the Solvus N.V. of Belgium for Eur 585,000. USG People N.V. recognised the acquisition by the purchase accounting method. Following initial allocation of the cost of the acquisition to purchased assets, debt and off-balance sheet liabilities an amount of Eur 597,942 of goodwill was identified.

An amount of Eur 4,375 was recognised in the income of the Group for 2005 for the income of Solvus N.V. since the acquisition of Solvus N.V.. Solvus N.V. was consolidated with the Group effective 1 September, for practical considerations.

If Solvus N.V. had been consolidated for the whole of 2005 revenue would have totalled Eur 2,993,000 and the net income would have amounted to Eur 29,700.

The acquired net assets, liabilities and goodwill are as follows:

Cost, paid in cash	585,000
Fair value of acquired net assets and liabilities	-12,942
Goodwill	597,942

Goodwill is mainly attributable to expected synergetic effects and the wider spread of activities across countries in Europe.

The assets and liabilities from the acquisition were as follows on acquisition date:

	Fair value	Carrying amount Solvus
Trade marks and licences	85,837	-
Customer relationships	45,395	-
Property, plant and equipment	29,927	29,927
Other intangible assets	14,069	14,069
Financial fixed assets	6,172	6,172
Deferred income tax assets	27,274	20,474
Income tax assets	888	888
Trade and other receivables	348,181	348,181
Cash and cash equivalents	33,071	33,071
Deferred income tax liabilities	-44,549	-5,704
Provisions	-5,416	-5,416
Non current borrowings	-125,285	-125,285
Current borrowings	-159,809	-159,809
Income tax liabilities	-9,666	-9,666
Payables	-257,304	-257,304
Net assets and liabilities	-11,215	-110,402
Minority interest	-1,727	-1,727
Acquired net assets and liabilities	-12,942	-112,129
Consideration paid in cash	585,000	
Cash and cash equivalents in acquired subsidiary Company	-33,071	
Cash outflow as a result of acquisition	551,929	

5.27.2 Divestments 2004

On 13 April 2004 the Group disposed of all shares in Fa-med. Up to 31 March 2004 the financial information of Fa-med was recognised in the consolidated income statement for 2004.

The net assets disposed of were as follows:

Selling price:	
Cash	31,275
Carrying amount net assets and liabilities disposed of	8,131
Goodwill on sold subsidiary Company	8,642
Income on sale subsidiary Company	14,502

The income on sales of subsidiary companies is recognized as other income and expenses in the income statement.

The assets and liabilities resulting from the sale are as follows:

Non-current assets	787
Trade and other receivables	53,586
Deferred income tax	-624
Borrowings	-7,518
Payables	-38,100
Sold net assets and liabilities	8,131
Consideration received in cash	31,275
Cash and cash equivalents in sold subsidiary Company	-
Inflow of cash and cash equivalents as a result of divestment	31,275

5.28 Cost of sales

	2005	2004
Wage and salary costs direct employees	1,098,911	709,170
Social security costs	289,323	175,551
Premiums for defined contribution pension schemes	6,383	8,083
Other costs direct employees	76,457	43,373
	1,471,074	936,177

5.29 Selling and marketing costs and general and administrative expenses

	2005	2004
Employee costs	281,098	225,302
Depreciations and impairment	33,277	25,224
Other costs	127,975	91,182
	442,350	341,708
Shown in income statement under selling expenses	382,362	283,451
Shown in income statement under general and administrative expenses	59,988	58,257
	442,350	341,708

5.29.1 Detail employee costs

	2005	2004
Wages and salaries	191,297	158,267
Social security costs	36,963	26,688
Premiums for defined contribution pension plans	2,376	2,948
Costs of defined pension rights	2,856	3,016
Other employee costs	47,606	34,383
	281,098	225,302

Wages and salaries show an amount for costs of Eur 427 (2004: nil) from the granting of shares to key-management and other members of staff (9,300 shares at a price of between Eur 21.50 and Eur 22.70).

5.29.2 Total indirect employees

	2005	2004
Total at 31 December	7,937	4,664
Average during financial year	5,599	4,581

5.29.3 Share option plan

On 31 December 2005 the following option rights were outstanding:

Date of issue	Exercise period	Total participants	Issued	Outstanding at 1-1-2005	Expired in 2005	Exercised in 2005	Outstanding at 31-12-2005	Exercise price (Eur)
2000	5 years	257	63,332	45,291	43,402	1,889	-	25.75
2001	5 years	183	69,447	60,593	1,313	52,409	6,871	21.70
2002	5 years	174	81,452	71,149	586	59,835	10,728	23.20
2003	5 years	454	93,338	80,960	1,198	43,059	36,703	9.15
2004	5 years	318	141,779	136,255	6,890	25,301	104,064	11.26
				394,248	53,389	182,493	158,366	

In 2005 no new option rights were granted to employees.

All outstanding options are directly exercisable when granted. As all outstanding options were exercisable at 1 January 2005, there are no costs identified in the income statement due to these options in 2004 and 2005.

In 2005 options were exercised for an amount of Eur 3,251 (2004: Eur 28).

5.30 Borrowing costs

	2005	2004
Interest borrowings	13,810	5,398
Other interest expenses	9,158	3,897
Change in value derivative financial instruments	3,319	-
	26,287	9,295

For the determination of the financial expenses please refer to 5.43. For valuation derivative financial instruments refer to 5.5.

5.31 Taxes

	2005	2004
Current tax liability	14,889	5,479
Deferred income taxes	1,780	-2,290
	16,669	3,189

Taxation on Group profit before taxes differs as follows from the charge occurring on the basis of the weighted average standard tax rate for consolidated entities:

	2005	%	2004	%
Operating income before taxes	37,898		27,572	
Taxation based on weighted average tax rates	12,506	33,0	9,319	33.8
Costs not chargeable to tax	1,137	3,2	766	2.8
Effect of change in tax rates	1,522	4,0	5,232	19.0
Losses not valued	2,145	5,5	-	-
Deferred income tax income/charge from previous financial years	408	1,1	-249	-0.9
Settlement of tax losses previously not shown	-	-	-6,886	-25.0
Adjustment previous years	2,333	6,1	-	-
Exempt revenues	-3,384	-8,9	-4,993	-18.1
Charge in financial statements	16,669	44,0	3,189	11.6

The weighted average standard tax rate is 33.0% (2004:33.8%). The decrease on last year is caused by a change in the composition of the profitability of the subsidiary companies in the various countries and the tax rate cut in the Netherlands.

5.32 Property, plant and equipment

	Buildings and land	Furnishing and rebuilding	Computers and peripherals	Other non-current assets	Total
Balance sheet 1 January 2004					
Cost	726	50,997	50,362	41,623	143,708
Accumulated depreciation and impairment	-50	-30,016	-44,787	-26,826	-101,679
Carrying amount	676	20,981	5,575	14,797	42,029
Changes in carrying amount					
Capital expenditure	-	2,354	4,230	2,489	9,073
Divestments from sale of subsidiary companies	-	-	-668	-119	-787
Divestment	-	-113	-506	-217	-836
Depreciation	-12	-7,124	-3,968	-4,959	-16,063
Balance	-12	-4,883	-912	-2,806	-8,613
Carrying amount at 31 December 2004	664	16,098	4,663	11,991	33,416
Specification of carrying amount					
Cost	726	49,166	47,058	39,354	136,304
Accumulated depreciation and impairment	-62	-33,068	-42,395	-27,361	-102,886
Carrying amount at 31 December 2004	664	16,098	4,663	11,993	33,418

	Buildings and land	Furnishing and rebuilding	Computers and peripherals	Other non-current assets	Total
Balance sheet 1 January 2005					
Cost	726	49,166	47,058	39,354	136,304
Accumulated depreciation and impairment	-62	-33,068	-42,395	-27,361	-102,886
Carrying amount	664	16,098	4,663	11,993	33,418
Changes in carrying amount					
Acquisition of subsidiary Company	284	14,590	5,466	9,587	29,927
Capital expenditure	50	5,099	5,357	1,080	11,586
Divestments	-	-249	-787	-1,003	-2,039
Depreciations	-72	-6,720	-4,258	-4,754	-15,804
Balance	262	12,720	5,778	4,910	23,670
Carrying amount at 31 December 2005					
Specification of carrying amount					
Cost	1,311	92,502	70,267	59,751	223,831
Accumulated depreciation and impairment	-385	-63,684	-59,826	-42,848	-166,743
Carrying amount at 31 December 2005	926	28,818	10,441	16,903	57,088

Depreciation costs and impairment have been totally recognised in the general and administrative expenses.

Lease payments of Eur 50,063 (2004: Eur 35,464) were recognised in the income statement relating to cars and lease of premises.

5.33 Goodwill

No impairment was applied to goodwill.

	2005	2004
Carrying amount opening balance	178,063	186,705
Acquisition of subsidiary companies	597,942	-
Sale of subsidiary companies	-	-8,642
Total change	597,942	-8,642
Carrying amount closing balance	776,005	178,063

Goodwill was allocated to segments as follows:

	2005	2004
General Staffing	295,617	37,285
Specialist Staffing	334,197	86,240
Professionals	102,489	21,327
Other	43,702	33,211
	776,005	178,063

5.34 Other intangible assets

	Trade marks and licences	Customer relationships	Software	Other	Total
Balance sheet 1 January 2004					
Continued cost	-	-	15,792	171	15,963
Changes in carrying amount					
Capital expenditure			1,633	43	1,676
Amortisation			-9,069	-92	-9,161
Balance			-7,436	-49	-7,485
Carrying amount at 31 December 2004	-	-	8,356	122	8,478
Specification of carrying amount					
Acquisition price	-	-	40,617	485	41,102
Accumulated amortisation and impairment	-	-	-32,261	-363	-32,624
Carrying amount at 31 December 2004	-	-	8,356	122	8,478

	Trade marks and licences	Customer relationships	Software	Other	Total
Balance sheet 1 January 2005					
Cost	-	-	40,617	485	41,102
Accumulated amortisation and impairment	-	-	-32,261	-363	-32,624
Carrying amount	-	-	8,356	122	8,478
Changes in carrying amount					
Acquisition of subsidiary companies	45,395	85,837	14,069		145,301
Capital expenditure	-	-	5,553		5,553
Amortisation	-1,621	-3,582	-8,682	-73	-13,958
Impairment	-	-	-3,515	-	-3,515
Balance	43,774	82,255	7,425	-73	133,381
Carrying amount per 31 December 2005					
Specification of carrying amount	43,774	82,255	15,781	49	141,859
Cost	45,395	85,837	54,445	485	186,162
Accumulated amortisation and impairment	-1,621	-3,582	-38,664	-436	-44,303
Carrying amount at 31 December 2005	43,774	82,255	15,781	49	141,859

Amortisation costs have been totally recognised in the general and administrative expenses.

5.34.1 Impairment

Due to the combination of the former USG companies and the former Solvus companies in the countries where both are positioned, an impairment took place on software (intangible assets).

The value remeasurement totalled Eur 3,515. This value remeasurement is shown under amortisation. No impairment losses were readjusted during the year.

5.35 Impairment for cash-generating units where goodwill is capitalised

Cash-generating units to which goodwill is attributed are subject to an annual impairment test. These impairment tests compare the carrying amount including goodwill of the given cash-generating unit with their recoverable value. The recoverable value of the various cash-generating units is determined by calculating their respective economic value.

These calculations assume future cash flows which are discounted to present value by means of a discount tax rate which differs per type of business and region for the cash-generating unit. This results in an implied discount tax rate for the Group of 12.7% (varying from 9.1% to 16.1% per cash-generating unit).

Future cash flows are calculated on the basis of actual income of operations and a seven-year prognosis. The divergence from the five-year prognosis stipulated by IAS 36 reflects past experience showing that a full market cycle in this sector takes around seven years. Cash flows after seven years are extrapolated for the average growth percentage of the seven-year prognosis, corrected by estimated inflation for the last three and a half years of the cycle.

The most important assumptions in determining the company value are estimates of growth percentages of the Gross National Product and inflation in the countries where cash-generating units operate.

The accumulated carrying amount including goodwill in the cash-generating units remains below the recoverable value based on company value. Hence, no impairment has been recognised.

5.36 Financial fixed assets

	2005	2004
Guarantees	6,599	-
Other long term receivables	610	-
Balance at 31 December	7,209	-

5.37 Deferred income tax assets and liabilities

	2005	2004
Gross change in deferred income tax		
Opening balance	76,890	74,600
Acquisition of subsidiary companies (including trade marks and licenses and customer relationships)	-44,548	-
Change of other receivables	1,707	-
Acquisition of subsidiary companies	27,274	-
To income statement	-1,780	2,290
To equity	-7,074	-
Balance at 31 December	52,469	76,890

Deferred income tax assets and liabilities are set off where there is a legally enforceable right thereto and where taxes are levied by the same authority. The amounts set off are as follows:

	2005	2004
Deferred income tax assets		
- Deferred income tax asset to be recovered after more than 12 months	92,491	69,874
- Deferred income tax asset to be recovered within 12 months	13,214	10,000
	105,705	79,874
Deferred income tax liabilities		
- Deferred income tax liabilities to be recovered after more than 12 months	47,238	2,984
- Deferred income tax liabilities to be recovered within 12 months	5,998	-
	53,236	2,984

The deferred income tax assets and liabilities refer to:

Deferred income tax asset	2005	2004
Tax losses carry-forward	90,096	61,647
Other	15,609	18,227
	105,705	79,874

The other deferred income tax assets refer, among others, to temporary differences for fiscally amortisable goodwill in Spain (Eur 8.5 million) and various other differences.

Deferred income tax liabilities	2005	2004
Property, plant and equipment	37,305	-
Convertible subordinated bond	7,170	-
Other	8,761	2,984
	53,236	2,984

The other deferred income tax liabilities refer to temporary differences for, among others, fiscally amortisable goodwill at HFS Beteiligung (Eur 3.5 million) and the receivable regarding the Start pension plan (Eur 3.0 million).

Deferred income taxes directly charged to equity	2005	2004
Related to first time adoption of IAS 32/39 (Derivative financial instruments)	268	-
Tax deferral on discounting of subordinated convertible bond	-7,342	-
	-7,074	-

Changes in non-capitalised balance sheet items regarding tax losses during the financial year are:

	2005	2004
Deferred income tax assets not recognised in the balance sheet		
At 1 January	-	6,886
Changes during the year:		
Additional unstated losses	2,145	-
Previously unstated losses	-	-6,886
Contribution via acquisitions	7,243	-
At 31 December	9,388	-

5.38 Other non-current assets

Other non-current assets amounting to Eur 11,572 (2004: Eur 10,035) comprise the balance of assets minus liabilities from granted pension rights. For explanatory notes refer to 5.44.

5.39 Trade and other receivables

	2005	2004
Trade receivables	626,404	238,759
Other current receivables	17,504	7,640
Current assets	21,126	22,117
Balance at 31 December	665,034	268,516

In trade receivables an item for an amount of Eur 29,085 (2004: Eur 15,651) has been deducted for bad debts.

In 2005 the Group charged an amount of Eur 9,587 (2004 Eur 4,235) to impaired receivables.

5.40 Cash and cash equivalents

	2005	2004
Cash and cash equivalents at 31 December as shown in the balance sheet	300,807	22,633
Cash and cash equivalents recognised in borrowings ¹⁾	-263,816	-
Cash and cash equivalents as recognised in the cash flow statement	36,991	22,633

¹⁾ In view of first time adoption of IAS 32/39 as from 1 January 2005, bank balances and bank overdrafts can not be offset.

Cash and cash equivalents are freely disposable.

5.41 Equity attributable to own shareholders

5.41.1 Share capital

Paid-up and called-up equity

(in thousands of shares and thousands of Euros)	2005	2004
Issued at 1 January	22,688	22,685
Issuance of new shares	8,614	-
Issuance as a result of exercise of option rights	182	3
Qualifying for dividend at 31 December	31,484	22,688

As per 31 December 2005 authorised share capital comprised 96,000 (2004: 96,000) shares with a nominal value of Eur 1.00.

Ordinary shareholders are entitled to a dividend as periodically approved by the General Meeting of Shareholders. Moreover these shareholders are entitled to one vote per share at the meeting of shareholders of USG People N.V. The Executive Board, appointed in accordance with the articles of association, proposes a dividend of Eur 0.40 (2004: Eur 0.40) per share for 2005, to be charged to the reserves. The Group does not hold any shares in USG People N.V.

Share premium reserve

The share premium reserve is to be considered as paid-up capital.

	2005	2004
Balance at 1 January	69,407	69,382
Change due to exercised option rights	3,069	25
Issuance of new shares	221,386	-
Issuing costs of new shares	-5,595	-
Balance at 31 December	288,267	69,407
Paid-up and called-up capital	31,484	22,688
Share premium	288,267	69,407
Recognised as share capital in the balance sheet	319,751	92,095

5.41.2 Other reserves

The other reserves at Eur 13,842 (2004: nil) comprise the equity component of the convertible subordinated loan.

5.42 Earnings per share

The average earnings per share in 2005 amounted to Eur 0.85 (2004: Eur 1.07); average earnings per share in 2005, fully diluted, totalled Eur 0.77 (2004: Eur 1.05).

The average earnings per share at 31 December 2005 is based on the net income as available to ordinary shareholders amounting to Eur 21,077 (2004: Eur 24,189) and the weighted average number of issued shares in 2005, i.e. 24,898 (2004: 22,687), and is calculated as follows:

5.42.1 Net earnings per share

The net earnings of Eur 21,077 (2004: Eur 24,189) is totally available to the ordinary shareholders.

Weighted average total of ordinary shares.

(in thousands of shares)	2005	2004
Issued at 1 January	22,687	22,685
Issuance of new shares	2,172	-
Issuance as a result of exercise of options	39	2
Weighted average total of shares for the year	24,898	22,687

5.42.2 Net earnings per share fully diluted

The average earnings per share at 31 December 2005 amounting to Eur 0.77 (2004: Eur 1.05) fully diluted, were based on the net income as available to ordinary shareholders, i.e. Eur 21,077 (2004: Eur 24,189) plus interest on the subordinated convertible bond and the weighted total average issued shares for 2005 after dilution 28,267 (2004: 23,081) and is calculated as follows:

Net income available to ordinary shareholders
(fully diluted)

	2005	2004
Net income available to ordinary shareholders	21,077	24,189
Effect of interest on convertible bonds after tax	877	-
Net income available to ordinary shareholders (fully diluted)	21,954	24,189

Weighted average total ordinary shares (fully diluted)

(in thousands of shares)	2005	2004
Weighted average total shares	24,898	22,687
Effect of outstanding convertible bonds	3,210	-
Effect of outstanding option rights	158	394
Weighted average total shares (fully diluted) at 31 December	28,266	23,081

5.42.3 Dividend per share

The dividend paid out in 2005 and 2004 was Eur 9,084 (Eur 0.40 per share) and Eur 9,074 (Eur 0.40 per share) respectively. At the General Meeting of Shareholders on 9 May 2006 a dividend of Eur 0.40 per share will be proposed for 2005 (total dividend Eur 12,594). The dividend proposal has not been recognised in these financial statements.

5.43 Non-current interest-bearing borrowings and balances

These notes comprise information on the terms of the contract of the non-current interest-bearing borrowings and balances. For more information on the risk run on interest and currency variation risk see Notes 5.48 en 5.49.

	2005	2004
Carrying amount of non-current interest-bearing borrowings and balances	611,374	143,000
Part of borrowings to be redeemed in the coming year	-176,102	-25,000
	435,272	118,000

Conditions and instalments

	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Convertible subordinated bond	90,776	90,776	-	-	-
Securitisation programme (EURIBOR + 0.58 %)	47,472	-	47,472	-	-
Subordinated loan Start (4 %)	100,000	12,500	12,500	37,500	37,500
Bond USG People International NV (6 %)	68,956	68,956	-	-	-
Syndicated loan, tranche A (EURIBOR + 1.10 %)	295,787	-	35,518	260,269	-
Other non-current credit facilities (4.92 %)	6,000	2,000	2,000	2,000	-
Financial lease obligations	2,383	1,870	387	126	-
	611,374	176,102	97,877	299,895	37,500

As security for bank borrowings, receivables up to a value of Eur 47 million (2004: nil) have been encumbered with collateral.

5.43.1 Bank borrowings and bank overdrafts

On 14 June a bridging loan of Eur 900 million was agreed for the acquisition of the Solvus N.V. of Belgium. This bridging loan was used for the purchase of Solvus N.V. shares, the refinancing of the current credit facilities of Solvus N.V. and to refinance Eur 100 million in current bank credits. The borrowing was repaid in 2005 from the proceeds of a new share issuance (Eur 225 million), the issuance of a subordinated convertible bond (Eur 115 million) and the syndicated loan (Eur 700 million).

5.43.2 Syndicated loan

	2005
Net revenues syndicated loan tranche A	295,677
Interest expenses	1,563
Interest paid	-1,453
Carrying amount liability tranche A at 31 December	295,787

The effective interest method was used in calculating the interest expenses on the syndicated loan whereby an effective interest rate of 4.10% was applied to the liability component.

On 17 November 2005 a syndicated credit facility totaling Eur 700 million was agreed for a period of 5 years.

This facility comprises three separate tranches:

- Tranche A: a Eur 300 million term loan, of which Eur 18.75 million payable half-yearly, to be repaid as from 17 May 2007 and the remainder (Eur 150 million + Eur 18.75 million) on 17 November 2010. This term loan was drawn in full to finance the remainder of the acquisition of the shares of Solvus N.V. (after deduction of the share issue and the subordinated convertible loan).
- Tranche B: a Eur 215 million revolving credit facility, of which Eur 85.6 million was drawn as a loan on 31 December 2005. Furthermore, Eur 100 million of this credit facility was reserved as a backstop facility for the commercial paper programme (5.43.4).
- Tranche C: Eur 185 million ancillary facilities available in the form of short-term credits and bank guarantees from the syndicate banks. Tranche C is used as security in providing bank guarantees (5.52).

Covenants have been agreed with the banks in regard to financial ratios (assessed per quarter) and other covenants.

Tranche B is recognised under current liabilities (5.47).

Interest expenses

Interest expenses on the used syndicated credit facility are calculated on the basis of between 1 and 6 months EURIBOR (depending on the interest period selected) plus an interest margin of 110 basis points. The effective interest in 2005 for tranche A and tranche B amounts to 3.45%.

5.43.3 Convertible subordinated bond

	2005
Net proceeds issuance subordinated convertible bond	110,655
Equity part of subordinated convertible bond	-20,460
	90,195
Interest expenses	1,281
Interest paid	-700
Carrying amount at 31 December	90,776

On 28 September 2005 the Group issued a 7 year, subordinated bond for Eur 115 million. The Group can repay the bond loan at the earliest within 5 years insofar as the share price stands at over 130% of the conversion price for at least 20 working days within a period of 30 working days. Conversion can take place at any time at the request of the bond holders, at a conversion price of Eur 35.83. Coupon rate stands at 3.0% and is payable yearly at 18 October. In that the convertible subordinated bond can be translated into shares, at any time, by the holder as per the conversion as set out above, the loan is recognised in the balance sheet under non-current borrowings.

The interest expense for the convertible subordinated bond is calculated using the effective interest method; hence, effective interest of 7.0% is attributable to the liability component.

The equity component (Eur 20,460 after deduction of deferred income tax liability Eur 13,842) is determined by discounting future cash flows at 3.0%. A tax deferral was created on the equity component.

5.43.4 Other credit facilities

The credit facilities below exist apart from the syndicated loan:

- Subordinated loan 'Start' (subsidiary Company)

In March 2003 a subordinated loan for Eur 100 million was agreed with the past shareholder of Start Holding BV (subsidiary Company). This loan is to be repaid in 8 annual instalments (Eur 12.5 million per year). The first instalment is due on 5 March 2006, and the last on 5 March 2013. The fixed interest rate on this term loan is 4%.

- Bond USG People International NV (subsidiary Company).

The existing bond for Eur 69 million, issued by USG People International NV, is repayable in full on 11 September 2006. The fixed interest rate on this bond is 6%.

- Securitisation of Creyf's Interim N.V. (subsidiary Company)

On 17 December 2002 a securitisation programme was concluded for receivables of Creyf's Interim N.V. with ING Belgium for a period of 5 years, with the option of an extension. The interest rate for this securitisation programme is based on 1-month EURIBOR.

5.43.5 Financial lease commitments

The financial lease commitments are due as follows:

	2005			2004		
	Payments	Interest	Principal	Payments	Interest	Principal
Later than five years	-	-	-	-	-	-
Two to five years	126	-	126	167	-	167
One to two years	390	3	387	662	-	662
Less than one year	1,992	122	1,870	1,192	81	1,111
	2,508	125	2,383	2,021	81	1,940

Under the terms of the lease contracts there are no conditional lease payments due. Interest expenses due to financial lease obligations stand at 5.3% in 2005 (2004: 4.2%).

Interest on financial lease commitments is calculated using the effective interest method; effective interest of 5.0% was applied to the liability component.

5.44 Retirement benefit obligations

The Group contributes to a number of defined benefit pension plans providing pensions for employees on reaching pensionable age. These plans apply to part of the workforce in the Netherlands. In the other countries there are defined contribution plans and/or retirement provisions in line with national regulations and customs. In determining annual costs account is taken of the nature of the plan which provides for indexation of pension grants insofar as investment proceeds from the separated investment portfolio exceed the actuarially required interest and there is surplus interest.

Retirement benefit obligations	2005	2004
Present value of fully or partly financed obligations	8,399	8,931
Fair value of fund investments	3,976	3,416
Obligations from defined benefit pension plan	4,423	5,515

The pension obligation relates to the settlement of the early retirement plan obligation for employees of Start Netherlands with Stichting Prestart.

Amounts receivable from pension plans	2005	2004
The amounts recognised in the balance sheet are specified as follows:		
Present value of defined benefit obligations	82,788	76,408
Fair value of plan assets	87,311	82,067
Net obligation	4,523	5,659
Unrecognised actuarial gains and losses	7,784	7,783
Subtotal	12,307	13,442
Pension premiums still to be paid	735	3,407
Amount receivable at balance sheet date	11,572	10,035

The pension receivable of Eur 11,572 (2004: Eur 10,035) at end 2005, recognised under other non-current assets, relates to the surplus of the pension plan of Start Netherlands (placed with Nationale Nederlanden).

5.44.1 Changes in pension obligations and investments

	2005	2004
Obligations		
Opening balance	76,408	62,201
Current service costs	3,286	3,670
Interest costs	3,615	3,250
Plan members' contribution	117	206
Actuarial gains and losses	1,462	9,696
Sale of subsidiaries	-	-1,056
Benefits paid	-1,113	-600
Expenses paid	-987	-959
Closing balance	82,788	76,408
Plan assets		
Opening balance	82,067	71,663
Expected return on plan assets	4,045	3,904
Actuarial gains and losses	1,461	2,057
Employer contribution	1,721	6,996
Member contribution	117	206
Benefits paid	-1,113	-600
Expenses paid	-987	-959
Sale of subsidiaries	-	-1,200
Closing balance	87,311	82,067

5.44.2 Costs as recognised in the income statement

	2005	2004
Current service costs	3,286	3,670
Interest costs	3,615	3,250
Expected return on plan assets	-4,045	-3,904
Total, recognised in employee costs	2,856	3,016

5.44.3 Main actuarial assumptions

Main actuarial assumptions at balance sheet date (expressed in weighted averages):

	2005	2004
Discount rate at 31 December	4.00%	4.75%
Expected long-term rate of return on assets at 31 December	4.00%	5.00%
Future salary increases	3.00%	3.00%
Future pension increases	0.00%	0.50%
Future inflation	2.00%	1.80%

In the Netherlands assumptions for expected returns on investments are based on the investments as determined in the contract with Nationale Nederlanden. At the end of 2005 the spread of investments in regard to the contract was as follows:

	Planned spread	Spread at 31-12-2005
Equities	20%	22.7%
Bonds	80%	77.1%
Other	0%	0.2%
Total	100%	100%

5.45 Other provisions

	Restructuring provision	Employee-related provisions	Other provisions	Total
Balance at 1 January 2004	15,484	-	874	16,358
Additions during the year	14,574	600	702	15,876
Withdrawals during the year	-8,100	-	-334	-8,434
Balance at 31 December 2004	21,958	600	1,242	23,800
Non-current	7,622	600	-	8,222
Current	14,336	-	1,242	15,578
Balance at 31 December 2004	21,958	600	1,242	23,800

	Restructuring provision	Employee-related provisions	Other provisions	Total
Balance at 1 January 2005	21,958	600	1,242	23,800
Acquisitions subsidiary companies	2,492	-	2,880	5,372
Additions during the year	18,440	464	2,013	20,917
Withdrawals during the year	-13,821	-	-198	-14,019
Releases during the year	-965	-	-1,400	-2,365
Balance at 31 December 2005	28,104	1,064	4,537	33,705
Non-current	8,269	-	-	8,269
Current	19,835	1,064	4,537	25,436
Balance at 31 December 2005	28,104	1,064	4,537	33,705

The restructuring provision relates to the costs resulting from the merging of the Shared Service Centers in those countries where the former USG companies and former Solvus companies were both present. The non-current section for the restructuring provision concerns lease obligations for buildings that will no longer be used after the restructuring mentioned (including that part resulting from the integration of USG and Start). Total expected restructuring costs are Eur 18,440. A provision for this was formed in 2005. The current part of the provision is expected to be used in 2006, spread across the year. Employee-related provisions relate to ongoing salary payments during sick leave.

Other provisions relate (among other things) to completion of a number of company wind-ups and legal proceedings.

There was a release of Eur 1,400 from other provisions as a result of negotiations concerning a dispute with a client. There was a release of Eur 965 from the restructuring provision due to a re-assessment of the costs of an ongoing restructuring.

5.46 Bank credits and borrowings

	2005	2004
Convertible subordinated bond	90,776	-
Commercial paper programs	70,000	-
Current part of non-current borrowings	85,326	25,000
Cash and cash equivalents recognised as bank credits ¹⁾	263,816	-
Other	34,015	14,385
	543,933	39,385

¹⁾In regard to the first time adoption of IAS 32/39 as from 1 January 2005, bank balances and bank overdrafts can not be offset.

USG People International N.V. has commercial paper programs with ING Belgium for Eur 50 million and Solvus N.V. with KBC for Eur 20 million and with Fortis Bank for Eur 30 million. Eur 100 million under tranche B of the syndicated credit facility has been reserved as back stop to cover these programs. The borrowing expenses are based on short term EURIBOR.

5.47 Trade and other payables

	2005	2004
Trade payables	275,023	45,271
Other debt	193,614	120,454
Accrued expenses	45,899	30,175
	514,536	195,900

5.48 Currency risk

In view of the Group's activities outside the Euro zone currency risks are limited. Given the limited risk the Group's currency risks are not hedged.

5.49 Interest risk

The Group has a number of interest-sensitive borrowings to manage liquidity and cash requirements of day-to-day operations. The interest risks are managed as follows.

5.49.1 Interest derivative concerning tranche A of the syndicated loan

To reduce the interest risk the Group has subscribed to a zero cost conditional cap for Eur 300 million to hedge the interest risk on tranche A of the syndicated credit, for a period of 5 years.

As soon as the 6-month EURIBOR rises above 3% during the first 3 years, and 3.35% during years 4 and 5, the banks will repay the Group the difference between 6-months EURIBOR and the 3% and 3.35% respectively. The notional amount on which this cover is calculated will follow the same repayment plan as tranche A of the syndicated credit.

No premium was paid for this interest hedging (as compared with 0.22% per year for a normal premium), as there is an additional interest margin payment of 1.09% when the difference between the 10 year EURIBOR swap interest rate and the 2 year EURIBOR swap interest rate is below 0.5% on the due date after each six months period; in this case the Group would pay 1.09% additional interest on the past six months. In the most disadvantageous situation this would mean that the maximum ceiling for the interest charge (not including the margin) would be 4.09% (including the margin: 5.19%) during the first three years and 4.44% (including the margin: 5.54%) during the two succeeding years.

Taking account of interest rates in the money and capital market as per 31 December 2005 this interest hedging represents a negative unrealised (mark to market) value of Eur 3,957.

5.49.2 Other interest derivatives

- In 2004 complementary interest hedging was agreed on a notional amount of Eur 75 million running from the end of 2005 to the end of 2007 to replace an interest hedging instrument that terminates at the end of 2005. There was no premium payment for this interest hedging.

The Group received a payment of 6-months EURIBOR (at end 2005 this totalled 2.64%), and pays 6-months EURIBOR in arrears. The cap of the 6-months EURIBOR is 3.49%, and the knock-out is 4.5%. If the 6-months EURIBOR in arrears is less than 3.49% or higher than 4.5% the Group pays market interest, otherwise the Group pays the cap of 3.49%. On 31 December 2005 this interest swap represents a negative unrealised (mark to market) value of Eur 100.

- Interest swap on a notional amount of Eur 18.8 million: the Group receives an interest payment of 3-months EURIBOR (at end 2005 this totalled Eur 2.49%), and pays fixed interest of 4.55%. The amount on which this is calculated reduces by Eur 4.7 million per quarter. The last settlement will take place on 31 December 2006. Taking account of interest rates on the money and capital markets as of December 2005 this swap represents a fair negative value of Eur 212.

5.49.3 First time adoption of IAS 32/39 effective 1 January 2005

The Group implemented IAS 32/39 effective 1 January 2005. On the basis of this adoption interest derivatives present on 1 January 2005 were carried at a negative fair value of Eur 850 (after tax Eur 583).

5.50 Credit risk

The Executive Board maintains internal principles for the issuing of credit facilities, whereby credit risk is constantly monitored. The Group does not require collateral security for financial assets.

On balance sheet date there were no significant concentrations of credit risk.

5.51 Fair value

	2005		2004	
	Carrying amount	Fair value	Carrying amount	Fair value
Convertible subordinated bond	90,776	90,776	-	-
Subordinated loan Start	100,000	96,205	100,000	94,459
Bond loan USG USG People International N.V.	68,956	68,956	-	-
Syndicated loan	295,787	300,000	118,000	118,000
Total	555,519	555,937	218,000	212,459
Unrecognised gains/losses		-418		5,541

Estimated fair value

Here follows a summary of the most important operating methods and assumptions used to estimate the fair values as shown in the tables above.

- Interest-bearing borrowings and debt: Fair value is calculated on the basis of present value of expected future cash flows due to settlement of interest payments.
- Convertible subordinated bond: The fair value is based on listed trading prices.
- Fair value lease obligations: The fair value is estimated on the basis of the present value of future cash flows discounted at the interest rate for comparable lease contracts.
- Trade receivables, -payables, other receivables and debt: For current receivables and debt with periods shorter than one year the fair value is taken to be the same as nominal value. All other receivables and debt are discounted to determine their fair value.

Interest percentages as used to determine fair value:

The Group uses the effective return appropriate to its risk profile and the period of the financial instrument on balance sheet date to discount its financial instruments. The following interest percentages are used:

	2005	2004
Non-current borrowings and debt	4.1%-7.0%	-
Lease contracts	5.0%	5.0%

The fair value is determined by referring to market value as per balance sheet date and/or by discounting the relevant cash flows whereby similar instruments are subject to identical actual discount rates.

5.52 Obligations not recognised in the balance sheet

5.52.1 Operationale lease

The amount for the year for third-party lease obligations for property and other leases and obligations, totals approximately Eur 156,096 (2004: Eur 50,500). The duration of these obligations is as follows:

	2005	2004
No later than one year	41,217	8,400
One to five years	85,171	38,600
Later than five years	29,708	3,500
	156,096	50,500

The Group leases a number of offices via an operational lease construction. The duration of the contract is between three and twelve years whereby the lease can be renewed on termination.

5.52.2 Conditional obligations

- The Dutch tax authorities have conducted an investigation of the entire national temporary employment industry on compliance with requirements under the Identification (Services) Act (WID). Given the absence of information on results no meaningful estimate can be made on the scope of any relevant liabilities.
- In regard to the purchase of Call-IT International B.V. there is fixed subsequent payment obligation amounting to Eur 0.9 million (2004: Eur 1.8 million). This obligation will be met in the form of shares of USG People N.V. The issue price will be set at the average of closing prices during the three weeks preceding payment. In the future the obligation may be financed by the purchase of shares, depending on future price developments of the share of USG People N.V.

- In regard to the nature of the Group's activities bank guarantees have been issued amounting to Eur 59,241.

5.53 Related parties

5.53.1 Transactions with related parties

The Group head office in Almere is leased at market conditions from a 100% subsidiary of Hovu Beheer N.V., the majority shareholder of USG People N.V. The annual charge for the lease, which runs to 2017, is Eur 2.5 million.

5.53.2 Remuneration of key-management

	2005	2004
Salaries and other short-term employee remuneration	971	780
Pensions	140	120
Payments based on shares	224	-
Reimbursements Supervisory Board	130	141
	1,465	1,041

5.54 Subsidiaries and associates

5.54.1 Important subsidiaries

For an overview of (important) subsidiaries and associates see chapter 6.

5.55 Accounting estimates and judgements by management

The Executive Board has discussed with the Supervisory Board the development and choice of, and information provision concerning, the critical principles for financial reporting and estimates, and the application of these principles.

5.55.1 Most important sources of uncertainties as to accounting estimates

Notes 5.35 contain information on assumptions and their risk factors in regard to impairment of goodwill. Note 5.48 states that the Group only has limited vulnerability to shifts of foreign currency exchange rates.

5.55.2 Critical accounting estimates in application of Group reporting rules

The Group reaches estimates and makes assumptions on future developments. By definition estimates are rarely the same as the actual outcomes. Estimates and assumptions which in the coming financial year lead to tangible adjustments of the carrying amount of assets and liabilities, are explained in more detail below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in section 5.7. The recoverable amounts of cash-generating units have been determined on the basis of value-in-use calculations. These calculations

involve the uses of estimates.

In the event that the estimated growth of the GNP in the years covered by the calculations is 10% less than estimated as of 31 December 2005, this would lead to reduction of the carrying amount of the goodwill by Eur 4,883.

Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6 Most important subsidiaries of USG People N.V.

Branch	Participating percentage	City, Country
Beaver IT Services	100.00	Antwerp, Belgium
Creyf's Interim	100.00	Antwerp, Belgium
Express Medical interim	100.00	Braine l'Alleud, Belgium
Innotiv Belgium	100.00	Antwerp, Belgium
Receptel	100.00	Antwerp, Belgium
Secretary Plus Management Support	100.00	Brussels, Belgium
Solvus International	100.00	Antwerp, Belgium
Unique Interim	100.00	Brussels, Belgium
United ICT Solutions	100.00	Antwerp, Belgium
United Technical Solutions	100.00	Antwerp, Belgium
Creyf's Personalservice	100.00	Munich, Germany
Secretary Plus Management Support	100.00	Frankfurt, Germany
Unique Personal	100.00	Bornheim, Germany
Accea	100.00	Saint-Julien les Metz, France
Creyf's Interim France	100.00	Saint-Julien les Metz, France
Creyf's Interim	94.33	Milan, Italy
Creyf's Select	94.33	Milan, Italy
Start Societa di forniture di Lavoro Temporaneo	100.00	Milan, Italy
Creyf's Interim	52.00	Luxemburg, Luxemburg
Accea	100.00	The Hague, Netherlands
Ad Rem	100.00	Almere, Netherlands
Beaver IT Services	100.00	Amsterdam, Netherlands
Content Professionals	100.00	The Hague, Netherlands
Creyf's Interim	100.00	Den Bosch, Netherlands
Innotiv Netherlands Engineering	100.00	Zoetermeer, Netherlands
InterCollege Business School	100.00	The Hague, Netherlands
Luzac College Nederland	100.00	The Hague, Netherlands
Secretary Plus Management Support	100.00	The Hague, Netherlands
StarJob	100.00	Leiderdorp, Netherlands
Start Uitzendbureau	100.00	Gouda, Netherlands
Technicum Uitzendburo	100.00	Almere, Netherlands
Telecom Direct Almere	100.00	Almere, Netherlands
Unique Nederland	100.00	Almere, Netherlands
United Capacity	100.00	Amsterdam, Netherlands
United Restart Services	100.00	Almere, Netherlands
United Technical Solutions	100.00	Almere, Netherlands
United Technical Solutions Energy	100.00	Beverwijk, Netherlands
Creyf's Personalservice	100.00	Vienna, Austria
Creyf's Select	100.00	Warsaw, Poland
Creyf's Trabajo Temporal ETT	100.00	Olot, Spain
Sesa Start España	100.00	Madrid, Spain
Unique Interim	100.00	Barcelona, Spain
Creyf's	100.00	Fribourg, Switzerland

7 Reconciliation overview of the initial application of IFRS

As from financial year 2005 the Group applies IFRS as the basis for its reports. The financial statements for 2005 contain comparative figures for the financial year 2004 which have been adjusted to IFRS standards, with the exception of IAS 32/39 concerning accounting principles for financial instruments.

Pursuant to IFRS standards the adjustments resulting from the transition from Dutch GAAP to IFRS are recognised in equity as per 1 January 2004. With this transition the Group opted for the following exceptions:

- no business combinations were restated that occurred prior to the transition date as foreseen in IFRS 1;
- all cumulative actuarial gains and losses on past pension obligations were recognised in equity;
- the option rights issued up to and including 2004 and which can be exercised as of 1 January 2005 have not been accounted as per IFRS 2.

The accounting principles and determination of profit as set out in the notes in chapter 5 have been applied to the realisation of the financial statements for 2005, to the following comparative information concerning the financial statements for 2004, and for the realisation of the opening balance sheet at 1 January 2004 (the date of transition of the Group to IFRS).

When drawing up the IFRS opening balance sheet the Group had to adjust several amounts previously recognised in the financial statements, in accordance with Dutch GAAP. The tables below show the transition from Dutch GAAP to IFRS and how this has influenced the financial position, financial performance and cash flows.

7.1 Statement of reconciliation income statement 2004

	Dutch GAAP	Impact of transition to IFRS	IFRS
Net revenue	1,300,250	-	1,300,250
Cost of sales	936,177	-	936,177
Gross profit	364,073	-	364,073
Selling expenses	-292,613	9,162	-283,451
General and administrative expenses	-58,257	-	-58,257
Other income and expenses	14,595	-93	14,502
Operating income	27,798	9,069	36,867
Financial expenses	8,530	765	9,295
Income before tax	19,268	8,304	27,572
Income tax expenses	4,320	-1,131	3,189
Net Income	14,948	9,435	24,383
Attributable to:			
Equity holders of the Company	14,784	9,405	24,189
Minority interest	164	30	194
	14,948	9,435	24,383
Result per share attributable to shareholders (in Euros)			
Basic	0.65		1.07
Diluted	0.64		1.05

7.2 Reconciliation IFRS opening balance sheet 1 January 2004

	Dutch GAAP 1 Jan 2004	Impact of transition to IFRS	IFRS 1 Jan 2004
Non-current assets			
Property, plant and equipment	42,029	-	42,029
Goodwill	-	185,023	185,023
Other intangible assets	200,986	-185,023	15,963
Deferred income tax assets	68,316	7,951	76,267
Other non-current assets	-	10,696	10,696
	311,331	18,647	329,978
Current assets			
Trade and other receivables	310,235	-7,245	302,990
Cash and cash equivalents	19,038	-	19,038
	329,273	-7,245	322,028
Total assets	640,604	11,402	652,006
Equity attributable to shareholders			
Share capital	92,067	-	92,067
Other reserves	87,692	-87,692	-
Retained earnings	14,709	97,001	111,710
	194,468	9,309	203,777
Minority interest	178	-	178
Total equity	194,646	9,309	203,955
Non-current liabilities			
Borrowings	175,862	-	175,862
Retirement benefit provisions	-	-5,515	-5,515
Other provisions	8,001	-1,552	6,449
Deferred income tax liabilities	-	3,690	3,690
	183,863	7,653	191,516
Current liabilities			
Borrowings	34,957	-	34,957
Trade and other liabilities	216,195	5,458	210,737
Income tax liabilities	1,955	-	1,955
Other provisions	8,988	-102	8,886
	262,095	5,560	256,535
Total liabilities	445,958	2,093	448,051
Total equity and liabilities	640,604	11,402	652,006

Reconciliation of equity of the opening balance sheet	
Equity according to Dutch GAAP at 1 January 2004	194,468
Pensions	10,696
Discount provisions	1,552
Release provision major maintenance	45
Interest effect deferred income tax assets	1,257
Deferred income tax	-4,241
Equity according to IFRS at 1 January 2004	203,777

7.3 Reconciliation IFRS balance sheet at 31 December 2004

	Dutch GAAP 31 Dec 2004	Impact of transition to IFRS	IFRS 31 Dec 2004
Non-current assets			
Property, plant and equipment	33,418	-	33,418
Goodwill	-	178,063	178,063
Other intangible assets	176,196	-167,718	8,478
Deferred income tax assets	69,110	10,764	79,874
Other non-current assets	-	10,035	10,035
	278,724	31,144	309,868
Current assets			
Trade and other receivables	278,516	-10,000	268,516
Tax assets	3,534	189	3,723
Cash and cash equivalents	22,633	-	22,633
	304,683	-9,811	294,872
Total assets	583,407	21,333	604,740
Equity attributable to shareholders			
Share capital	92,095	-	92,095
Other reserves	93,178	-93,178	-
Retained earnings	14,784	111,892	126,676
	200,057	18,714	218,771
Minority interest	385	-	385
Total equity	200,442	18,714	219,156
Non-current liabilities			
Borrowings	118,000	-	118,000
Retirement benefit provisions	-	5,515	5,515
Other provisions	8,587	-365	8,222
Deferred income tax liabilities	-	2,984	2,984
	126,587	8,134	134,721
Current liabilities			
Borrowings	39,385	-	39,385
Trade and other liabilities	162,835	33,065	195,900
Income tax liabilities	38,580	-38,580	-
Other provisions	15,578	-	15,578
	256,378	-5,515	250,863
Total liabilities	382,965	2,619	385,584
Total equity and liabilities	583,407	21,333	604,740

Reconciliation of equity at 31 December 2004	
Equity according to Dutch GAAP at 31 December 2004	200,057
Pensions	10,035
Adjustment amortisation of goodwill	10,468
Discount provisions	965
Provision for the long-term sick	-600
Interest effect deferred income tax asset	1,079
Amortisation of goodwill Fa-med 1st quarter 2004	-123
Deferred income tax	-3,110
Equity according to IFRS at 31 December 2004	218,771

7.4 Reconciliation consolidated cash flow statement 2004

	Dutch GAAP	Impact of transition to IFRS	IFRS
Cash flow from operating activities			
Result before tax	13,203	14,369	27,572
Adjustments for:			
Minority interest in income	-194	194	-
Depreciation and amortisation	25,224	-	25,224
Amortisation of goodwill	10,468	-10,468	-
Profit on sale of minority interests	-	-14,502	-14,502
Interest expenses	-	9,295	9,295
Change in other provisions	7,800	600	8,400
Changes in working capital:			
- trade and other receivables	-992	-27,804	-28,796
- trade and other payables	-	27,362	27,362
Cash flow from operating activities	55,509	-954	54,555
Income tax paid	-7,817	189	-7,628
Net cash flow from operating activities	47,692	-765	46,927
Cash flow from investing activities			
Investment in property, plant and equipment	-	-9,073	-9,073
Investment in intangible assets	-12,563	9,083	-3,480
Divestment of property, plant and equipment	836	-	836
Divestment of intangible assets	10	-10	-
Proceeds from sale of subsidiary	31,275	-	31,275
Net cash flow from investing activities	19,558	-	19,558
Cash flow from financing activities			
Proceeds from issuance of shares	28	-	28
Repayment of borrowings	-59,434	-	-59,434
Interest received	577	-	577
Interest paid	-9,107	765	-8,342
Dividend paid	-9,074	-	-9,074
Change in borrowings	13,369	-14	13,355
Cash and cash equivalents at acquisition/sale	-14	14	-
Net cash flow from financing activities	-63,655	765	-62,890
Increase cash and cash equivalents	3,595	-	3,595
Change cash and cash equivalents			
Cash and cash equivalents at 1 January	19,038	-	19,038
Increase cash and cash equivalents	3,595	-	3,595
Cash and cash equivalents at 31 December	22,633	-	22,633

7.5 Notes to transition to IFRS

7.5.1 Goodwill

Goodwill is shown separately whereby the total of goodwill (1 January Eur 185.0 million, 31 December Eur 178.1 million) is reclassified from intangible assets to the category goodwill. At the time of transition to IFRS the goodwill was tested for impairment (IFRS 1 and IAS 36). The tests showed that no value reductions due to impairment were necessary at 1 January 2004 and 31 December 2004.

The adjustment to the result due to amortisation of goodwill is Eur 10.5 million, which is recognised under selling expenses.

7.5.2 Intangible assets

Due to the reclassification of the amount for goodwill to a separate category for goodwill, intangible assets reduced by Eur 185.0 million at 1 January 2004 and by Eur 178.1 million at 31 December 2004.

Under Dutch GAAP goodwill from acquisitions was amortised using the straight line method over a period of 20 years. Amortisation expenses for goodwill were recognised in the income statement. Under IFRS goodwill is no longer subject to amortisation. Hence, under IFRS amortisation expenses for 2004 were reversed resulting in a higher amount for intangible assets at the end of December 2004.

7.5.3 Other non-current assets

Employee remuneration is dealt with in IAS 19. An important part of this relates to pension plans for employees of USG subsidiaries. As a rule a differentiation is made between plans with defined contributions and with defined benefit. The latter in particular leads to the withdrawal of an asset for pensions in the balance sheet (Eur 10.7 million). As a result of the change of the defined

benefit pension asset during the financial year 2004 there is a Eur 0.7 million reduction in the asset, whereby this is recognised in the income statement under selling expenses.

7.5.4 Deferred income tax liabilities

According to IFRS deferred income tax liabilities (Eur 7.3 million at 1 January 2004 and Eur 10.0 million at 31 December 2004) which are included in trade and other receivables, must be shown separately under deferred income tax asset in non-current assets. Under Dutch GAAP deferred income tax assets were discounted on fiscally amortisable goodwill. This is not permitted under IFRS and consequently the interest component (Eur 1.3 million at 1 January 2004 and Eur -0.2 million at 31 December 2004) has been adjusted.

7.5.5 Trade and other receivables

Due to the reclassification of the amount of the deferred income tax asset to a separate category for deferred income tax asset at 1 January 2004 and 31 December 2004 trade and other receivables are reduced by Eur -7.3 million and Eur -10.0 million respectively.

7.5.6 Retirement benefit provisions

Under IFRS a liability of Eur 5,515 due to the 'VUT' early retirement plan (administered by Stichting Prestart) has been reclassified from current liabilities to retirement benefit provisions.

7.5.7 Other provisions

Contrary to Dutch GAAP, under IAS 37 provisions must be carried at present value. The duration of the provision for non-utilised buildings is expected to be longer whereby the interest component of the present value calculation will go via the income statement. The interest component has been adjusted (Eur -1.6 million at 1 January

2004 and Eur 1.0 million at 31 December 2004) vis-à-vis the non-current portion. The difference between adjustments at 1 January and 31 December is shown under financial expenses.

Furthermore, under IFRS a provision of Eur 0.6 million must be made for the ongoing payment of employees on long-term sick leave.

7.5.8 Tax liabilities

Under Dutch GAAP tax liabilities also comprised obligations other than income taxes. These other tax liabilities are now classified under trade and other payables.

7.5.9 Selling expenses

Of the change in selling expenses due to the transition from Dutch GAAP to IFRS Eur 10.5 million was due to the reversal of the amortisation of goodwill, Eur 0.7 million due to the result on pensions and Eur 0.6 million due to a provision for continued payment of persons on long-term sick leave.

7.5.10 Other income and expenses

The change in other income and expenses amounting to Eur 93 was caused by a different result on the sale of subsidiaries due to the transition from Dutch GAAP to IFRS.

8 Corporate income statement

	2005	2004
Result of participations after tax	40,381	29,777
Result USG People N.V. after tax	-19,304	-5,588
Net income	21,077	24,189

9 Corporate balance sheet at 31 December (before profit allocation)

Note:	In thousands of euros	2005	2004
	Non-current assets		
10.3	Goodwill	697,079	99,137
10.4	Property, plant and equipment	16	41
10.5	Financial assets	278,402	251,867
		975,497	351,045
	Current assets		
	Receivables	1,062	7,459
	Tax	21,241	-
	Cash and cash equivalents	8,336	8,807
		30,639	16,266
	Total assets	1,006,136	367,311
10.6	Equity		
	Paid-up and called-up	31,484	22,688
	Share premium	288,267	69,407
	Other reserves	131,382	111,892
	Result for the year	21,077	14,784
		472,209	218,771
10.9	Provisions	8,315	-
10.7	Non-current liabilities	383,287	118,000
10.8	Current liabilities	142,325	30,540
	Total liabilities	1,006,136	367,311

10 Notes to the corporate balance sheet at 31 December 2005 (before profit allocation)

10.1 General

10.1.1 Accounting policies for the single financial statements

The single financial statements of USG People N.V. are presented pursuant to the legal stipulations of Title 9 Book 2 of the Dutch Civil Code.

In this context use was made of the option provided under article 2:362 para 8 of the Dutch Civil Code to apply the accounting principles and determination of results (including principles for presentation of financial instruments such as equity or debt) to the single financial statements, that are applied in the consolidated financial statements.

10.2 System change

10.2.1 Choice of principles

As from the financial year 2005 USG People N.V. has presented the consolidated financial statements pursuant to International Financial Reporting Standards as accepted within the European Union. The initial application of these principles in the consolidated financial statements led to changes in the principles applied to valuation of assets, provisions and debt (the 'IFRS 1-adjustments'). IFRS 1 adjustments were largely applied retroactively in the comparative figures as at 1 January 2004. All changes relating to financial instruments were implemented at 1 January 2005.

In comparison to the financial statements 2004 this led to the following:

- A change in equity at 1 January 2004 and 31 December 2004 due to IFRS 1-adjustments;

- A change to the income for 2004 due to IFRS 1 adjustments;
- A change to equity at 1 January 2005 due to the application of principles for financial instruments.

The effects of the system change on capital and income are as set out in the information section of 'IFRS 1-adjustments' (7.1 and 7.2) and the system change in regard to the principles for derivative financial instruments (5.49.3).

10.2.2 Composition of equity

As from 1 January 2005 there are changes in the legal stipulations applicable to forming and maintaining legal and revaluation reserves. In this context refer to the notes to equity (10.6).

10.2.3 Principles for valuation and determination of results

Principles for valuation and determination of results for the single financial statements are as for the consolidated financial statements. Unless further principles are mentioned, refer to the principles as set out in consolidated financial statements.

Goodwill

Goodwill is determined using the principles applying to the consolidated financial statements.

The goodwill presented in the single balance sheet concerns goodwill on directly acquired participating interest in Group companies.

Goodwill on indirectly acquired interests in Group companies is capitalised with the participations of USG People N.V. which acquire these interests in the net asset value of these participations.

Goodwill relating to direct interests in other minority

interests whereby significant control can be exercised, is recognised as part of the acquisition price in the value of these participations.

Participations

Participations in Group companies and other companies whereby USG People N.V. has dominant control or where it has central management and control are carried at net asset value. The net asset value is determined by the valuation of the assets, provisions and liabilities and the result is calculated according to the principles used in the consolidated financial statements.

In determining net assets value account is taken of the transition stipulations for determination of the values and the valuation principles of the first time adoption of the principles in the consolidated statements.

10.3 Goodwill

	2005	2004
Balance at 1 January	99,137	99,137
Change by acquisition subsidiary company	597,942	-
Balance at 31 December	697,079	99,137

10.4 Property, plant and equipment

	2005	2004
Balance at 1 January		
Purchase cost	122	122
Accumulated depreciation and impairment	81	57
Balance at 1 January	41	65
Depreciation during the year	25	24
Balance at 31 December	16	41
Specification of the carrying amount		
Purchase cost	122	122
Accumulated depreciation and impairment	106	81
Balance at 31 December	16	41

10.5 Financial fixed assets

	Receivables Group companies	Participations Group companies	Total
Balance at 31 December 2003	112,147	165,546	277,693
Change due to system change	-	9,741	9,741
Balance at 1 January 2004	112,147	175,287	287,434
Divestment	-37,088	-50	-37,138
Result participations	-	29,777	29,777
Dividends participations	-	-27,750	-27,750
Other changes	-	-24	-24
	-37,088	1,953	-35,135
Balance at 31 December 2004	75,059	176,808	251,867
Balance at 1 January 2005	75,059	176,808	251,867
Investments	18,419	-12,942	5,477
Result participations	-	40,381	40,381
Dividends participations	-	-19,323	-19,323
	18,419	8,116	26,535
Balance at 31 December 2005	93,478	184,924	278,402

10.6 Equity

10.6.1 Paid-up and called-up capital

Authorised capital at 31 December 2005 stands at Eur 96,000, divided in 96,000,000 ordinary shares of Eur 1.00 nominal each.

	Paid-up and called-up capital	Share premium reserve	Other reserves	Undistributed profit	Total
Balance at 31 December 2003	22,685	69,382	87,692	14,709	194,468
Adjustment equity due to system change	-	-	9,309	-	9,309
Balance at 1 January 2004	22,685	69,382	97,001	14,709	203,777
Income for the year	-	-	-	14,784	14,784
Adjustment to the income due to system change	-	-	9,405	-	9,405
Exercised option rights employees	3	25	-	-	28
Income added to other reserves	-	-	5,635	-5,635	-
Dividend payout	-	-	-	-9,074	-9,074
Addition to other reserves	-	-	-149	-	-149
Balance at 31 December 2004	22,688	69,407	111,892	14,784	218,771
Effect first time adoption IAS 32/39 at 1 January 2005	-	-	-582	-	-582
Balance at 1 January 2005	22,688	69,407	111,310	14,784	218,189
Income for the year	-	-	-	21,077	21,077
Exercised option rights employees	182	3,069	-	-	3,251
Share issuance	8,614	215,791	-	-	224,405
Income added to other reserves	-	-	5,700	-5,700	-
Dividend payout	-	-	-	-9,084	-9,084
Equity part of convertible bond	-	-	13,842	-	13,842
Addition to other reserves	-	-	530	-	530
Balance at 31 December 2005	31,484	288,267	131,382	21,077	472,209

10.7 Non-current liabilities

	2005	2004
Value of the non-current interest-bearing borrowings and debt	486,563	143,000
Current part of non-current liabilities	-103,276	-25,000
	383,287	118,000

	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Convertible subordinated bond (3%)	90,776	90,776	-	-	-
Subordinated loan Start (4%)	100,000	12,500	12,500	37,500	37,500
Syndicated loan (EURIBOR + 1.10%)	295,787	-	35,518	260,269	-
	486,563	103,276	48,018	297,769	37,500

10.8 Current liabilities

	2005	2004
Bank credits and borrowings	103,276	-
Current part of non-current debt	12,500	25,000
Trade and other payables	16,151	5,540
Debt to Group companies	5,431	-
Interest derivatives	4,169	-
Balance at 31 December	142,325	30,540

10.9 Provisions

	2005	2004
Deferred income tax liabilities	6,681	-
Employee-related and other provisions	1,634	-
	8,315	-

The other provisions of Eur 1,634 (2004: nil) have been made for sick pay during long-term illness and for severance pay.

10.10 Employees

At end 2005 USG People N.V. had 34 (2004: 26) employees.

10.11 Liability

Together with the majority of the Dutch subsidiaries, the company forms a fiscal entity for income tax. Each of the subsidiaries is jointly and severally liable for the tax to be paid for all companies involved with the fiscal entity.

10.12 Remuneration of members of the Executive and Supervisory Boards

Payments to members of the Executive Board (appointed in accordance with the articles of association) are shown as follows:

	Fixed remuneration	Pension contribution	Variable remuneration	Total	Total options
A.D. Mulder					
2005	420	65	250	735	-
2004	360	63	-	423	10.000
R. Icke					
2005	457	75	250	782	-
2004	325	57	95	477	10.000

Both Executive Board directors have been granted 2,500 shares in 2005, for a price of Eur 21.50. The costs are recognised under variable remuneration.

10.12.1 Remuneration policy

USG People's remuneration policy for members of the Executive Board was proposed by the Supervisory Board and approved by the General Meeting of Shareholders on 12 May 2005. The Supervisory Board is authorised to determine remuneration and the substance of other conditions of employment, taking into account the above mentioned policy. The policy for the years 2003, 2004 and 2005 was determined by the Supervisory Board on 4 December 2003.

The remuneration of members of the Executive Board comprises fixed and variable parts. The fixed part of the remuneration is regularly evaluated and set for longer periods, whereby account is taken of the level of experience and the responsibilities of the relevant members of the Executive Board. The variable part of the remuneration is set at 2 per mil of the operating income before amortisation of Company goodwill as a whole. This current bonus is paid in cash and hence relates to the operating income achieved.

Effective 1 January 2005 the company-wide option plan which had operated up to that date, was terminated. By way of compensation for the option plan 2,500 options were granted to the members of the Executive Board unconditionally in 2005. During 2005 USG People considered a remuneration structure that would enhance the long-term participation and involvement of its employees. The annual report for 2004 announced that in 2005 USG People would consult professional and independent remuneration consultants to arrive at an optimal comparison with the reference group. After the acquisition of Solvus N.V. it transpired that Solvus N.V. had commissioned an independent and reputable company to conduct such a study at the start of 2005. Hence, the same consultants were engaged for the remuneration of the senior-level officers.

The contracts of the members of the Executive Board stipulate a period of notice of six months. The payment at the termination of the contract of employment amounts a maximum of once the annual salary, calculated on the fixed part of the remuneration. Should the maximum of once the yearly salary be obviously unreasonable, the director qualifies for a severance pay of maximum twice the yearly salary.

10.12.2 Options

Particulars on options granted to the members of the Executive and Supervisory boards (appointed in accordance with the articles of association) are shown below:

	Year	Situation 1-1-2005	Exercised 2005	Expired 2005	Situation 31-12-2005	Exercise price	Price at exercise date	Expiration date
A.D. Mulder	2000	6,000	-	6,000	-	25.75	-	26-4-2005
	2001	6,000	6,000	-	-	21.70	33.98	28-4-2006
	2002	6,000	6,000	-	-	23.20	33.98	25-4-2007
	2003	4,000	-	-	4,000	9.15		8-5-2008
	2004	10,000	-	-	10,000	11.26		10-5-2009
Total		32,000	12,000	6,000	14,000			
R. Icke	2000	6,000	-	6,000	-	25.75	-	26-4-2005
	2001	6,000	6,000	-	-	21.70	33.98	28-4-2006
	2002	6,000	6,000	-	-	23.20	33.98	25-4-2007
	2003	4,000	-	-	4,000	9.15		8-5-2008
	2004	10,000	-	-	10,000	11.26		10-5-2009
Total		32,000	12,000	6,000	14,000			

No new options were granted in 2005.

10.12.3 The Supervisory Board

The remuneration for the Supervisory Board is as follows:

	2005	2004
C.J. Brakel	34	34
Prof. M.H. Battaille	24	24
J.H. van Heijningen Nanninga	24	24
Ms. M.E. van Lier Lels	24	24
Prof. B. de Vries	24	24
Prof. C.N.A. Molenaar	-	10
	130	140

No options are granted to the Supervisory Board and no capital assets are made available to the Supervisory Board. No borrowings were made to the Supervisory Board and no guarantee commitments were made for the benefit of the members of the Supervisory Board.

11 Supplementary information

11.1 Auditor's report

To the shareholders, Supervisory Board and Executive Board of USG People N.V.

Introduction

In accordance with your assignment we have audited the financial statements of USG People N.V., statutory seated in Almere, for the year 2005 as set out on pages 83 to 145. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the

cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore, we have to the extent of our competence, established that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, we have to the extent of our competence, established that the annual report is consistent with the company financial statements.

Amsterdam, 16 March 2006.

PricewaterhouseCoopers Accountants N.V.

P. Jongerius RA

11.2 Profit distribution according to the articles of association

Article 29 Profit and loss.

29.1 From profit realised in the last financial year, such amounts shall be reserved as determined by the Executive Board with the approval of the Supervisory Board.

29.2 Profit remaining thereafter shall be at the disposal of the General Meeting of Shareholders.

29.3 The Company may only decide to pay dividend to shareholders, chargeable to reserves not required to be held by law, at the proposal of the Executive Board, duly approved by the Supervisory Board.

29.4 Dividend payments on shares may only take place up to the maximum amount of the distributable equity.

Article 30 Dividends and other payments.

30.1 Dividends and other payments are made available for payment within four weeks of declaration, unless the General Meeting of Shareholders sets a different date, at the proposal of the Executive Board.

30.2 Shareholders' claims for payment shall lapse after a period of five years.

30.3 The Executive Board is authorised, with the prior approval of the Supervisory Board, to pay an interim dividend, with due consideration to the stipulations of article 105, Book 2 of the Dutch Civil Code.

30.4 The General Meeting of Shareholders may, at the proposal of the Executive Board, and with prior approval of the Supervisory Board, decide that dividends shall be paid wholly or in part in the form of shares in the capital of the Company.

30.5 A deficit may only be offset from reserves required by law, insofar this is permitted by law.

11.3 Profit allocation

A dividend is proposed of Eur 0.40 per ordinary share in cash. With a total of 31,484,766 shares this means Eur 12,593,906.

Ten-year overview

	2005 ¹⁾	2004 ¹⁾	2004 ²⁾
Consolidated income statement			
Net revenue	1,977,609	1,300,250	1,300,250
Percentage growth on preceding year	52.1%	0.2%	0.2%
Operating income	64,185	36,867	13,203
Percentage growth on preceding year	74.1%	-6.7%	-66.6%
As percentage of net revenue	3.2%	2.8%	1.0%
Income from ordinary operations after tax	21,077	24,189	14,784
Net income	21,077	24,189	14,784
Percentage growth on preceding year	-12.9%	63.7%	0.5%
As percentage of net revenue	1.1%	1.9%	1.1%
Operating cash flow	114,974	46,927	39,162
Dividend	12,593	9,075	9,075
Dividend/net income	59.7%	37.5%	61.4%
Consolidated balance sheet			
Non-current assets	1,099,438	309,868	278,724
Working capital (including cash and cash equivalents)	-123,765	44,009	63,883
	975,673	353,877	342,607
Equity	472,209	218,771	200,057
Minority interest	2,264	385	385
Non-current liabilities	501,200	134,721	142,165
	975,673	353,877	342,607
Other key figures			
Equity/ total equity	22.9%	36.2%	34.4%
Equity/ capital invested	31.1%	55.6%	52.0%
Current assets/ current liabilities	0.89	1.18	1.27
Total shares at 31 December	31,484,766	22,688,317	22,688,317
Per share in Euros			
Net income ³⁾	0.85	1.07	0.65
Dividend	0.40	0.40	0.40
Equity	15.00	9.64	8.82
Operating cash flow ³⁾	4.62	2.07	1.73

¹⁾ According to IFRS

²⁾ According to Dutch GAAP

³⁾ As from 2002 based on average total shares in issue

-year re

	2003 ²⁾	2002 ²⁾	2001 ²⁾	2000 ²⁾	1999 ²⁾	1998 ²⁾	1997 ²⁾	1996 ²⁾
	1,297,800	1,104,527	600,402	517,969	446,794	367,552	284,108	224,473
	17.5%	84.0%	15.9%	15.9%	21.6%	29.4%	26.6%	12.6%
	39,514	59,435	66,542	59,782	46,045	37,159	26,259	19,274
	-33.5%	-10.7%	11.3%	29.8%	23.9%	41.5%	36.2%	99.4%
	3.0%	5.4%	11.1%	11.5%	10.3%	10.1%	9.2%	8.6%
	14,781	31,760	39,080	36,661	30,494	24,647	18,824	14,841
	14,709	24,828	39,080	36,661	30,494	24,083	18,472	13,873
	-40.8%	-36.5%	6.6%	20.2%	26.6%	30.4%	33.2%	87.4%
	1.1%	2.2%	6.5%	7.1%	6.8%	6.6%	6.5%	6.2%
	74,580	49,112	38,554	42,437	27,109	25,891	21,392	15,385
	9,074	11,342	13,124	12,208	10,192	8,027	6,131	1,673
	61.7%	45.7%	33.6%	33.3%	33.2%	33.3%	33.2%	12.1%
	311,331	277,848	183,722	111,524	66,214	13,036	8,673	8,303
	76,166	90,276	49,201	5,425	8,551	13,010	17,820	14,303
	387,497	368,124	232,923	116,949	74,765	26,046	26,493	22,606
	194,468	191,563	122,953	86,129	51,450	23,891	24,180	18,255
	178	49,544						
	192,851	127,017	109,970	30,820	23,315	2,155	2,313	4,351
	387,497	368,124	232,923	116,949	74,765	26,046	26,493	22,606
	30.4%	30.5%	33.5%	37.9%	31.6%	23.3%	33.9%	26.0%
	46.0%	45.3%	48.3%	65.0%	64.3%	78.1%	84.4%	76.1%
	1.30	1.35	1.37	1.05	1.10	1.17	1.40	1.30
	22,685,352	22,684,302	20,190,918	19,690,919	19,230,500	18,973,812	17,321,455	16,983,365
	0.65	1.14	1.94	1.86	1.58	1.36	1.07	0.82
	0.40	0.50	0.65	0.62	0.53	0.42	0.35	
	8.57	8.77	6.09	4.37	2.67	1.35	1.40	1.08
	3.29	2.25	1.91	2.15	1.41	1.36	1.24	0.91

Convertible bond

Report

3% Subordinated Convertible Bonds 2005 due 2012 with a principle amount of € 115,000,000 of USG People N.V.

In compliance with the provisions of article 33, paragraph 2 of the trust deed executed before Mr. R.J.J. Lijdsman on 18 October 2005, we report as follows.

The bonds with a nominal value of € 1,000 each are evidenced by a single global certificate in an aggregate principal amount of € 115,000,000.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on 18 October 2012. As of November 25th until 11 October 2012 the bonds are convertible into ordinary shares USG People N.V. of € 1 nominal value at a conversion price of € 35.83, subject to adjustment in accordance with the provisions of the trust deed.

During the year 2005 no bonds have been redeemed, purchased and cancelled or offered for conversion. As a result, the outstanding amount of the bonds per 31 December 2005 was € 115,000,000.

USG People N.V. is authorised to redeem the bonds in whole at their principal amount:

1. on or after 18 October 2010, provided that the closing prices of the ordinary shares USG People N.V. on Eurolist by Euronext Amsterdam on each of not less than 20 trading days in any period of 30 consecutive trading days shall have been at least 130% of the conversion price then in effect;

2. at any time if less than 10% in principal amount of bonds originally issued is outstanding.

In case of a "Change of Control" as referred in article 5 of the trust deed the bonds are at the option of the bondholder redeemable at par together with interest accrued.

Amsterdam, 16 February 2006.

N.V. Algemeen Nederlands Trustkantoor ANT

L.J.J.M. Lutz

Financial glossary

Bp: Basis points.

Dividend: That part of profit paid out to shareholders.

Ebita: (Earnings before interest, taxes and amortisation). Operating result before amortisation.

Financial derivatives: Financial instruments to cover financial risks. The value is derived from the development of the underlying value such as interest or foreign currency.

Gross margin: Gross profit as a percentage of revenue.

Gross profit: Total operating income minus direct costs.

IFRS: (International Financial Reporting Standards). As from 2005, all publicly companies in the European Union must comply with these new reporting regulations.

Interest-bearing debt: Non-current debt plus borrowings.

Net financial debt: Interest bearing debt minus cash and cash equivalents.

Net profit: Result attributable to shareholders.

Operating cash flow: Cash flow from operating activities including income tax. For components we refer you to cash flow statements in the financial statements.

Operating expenses: Indirect operating expenses excluding extraordinary gains and losses and excluding amortisation of intangible fixed assets.

Operating margin: Operating profit as percentage of net revenue.

Operating profit: Operating profit before amortisation of intangible assets and before extraordinary gains and losses.

Operating income: Income before financing expenses and income tax.

Investor relations and financial calendar

Investor relations

2005 saw further intensification of relations with institutional and private investors, analysts and representatives of the financial media. The objectives here remained unchanged: to increase the name awareness of USG People among the relevant financial parties and the careful reporting on our results, strategy and development of markets in which USG People is active.

Road shows, analyst meetings and one-on-one meetings at home and abroad also contribute here, alongside current financial information on www.usgpeople.com.

In 2005 USG People held four regular analyst meetings to provide briefings on the quarterly and annual results, as well as a special meeting around the acquisition of Solvus. We also organised road shows for existing and prospective institutional investors in the Netherlands, Belgium, United Kingdom and United States, France, Germany, Switzerland, Italy, Spain and Scandinavia.

There were also a large number of one-on-one meetings with investors at home and abroad. The management of USG People also took part in various national and international conferences dedicated to the sector in various countries.

An analyst meeting was held in May 2005 around the group's re-labelling strategy.

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9 May 2006	Publication first quarter results 2006 (before start of trading) Conference call analysts first quarter results General Meeting of Shareholders
11 May 2006	Ex dividend quotation
23 May 2006	Dividend payable
1 September 2006	Publication second quarter results 2006 (before start of trading) Analysts' meeting and press conference second quarter results
16 November 2006	Publication third quarter results 2006 (before start of trading) Conference call analysts third quarter results
November 2006	Analysts' day
7 March 2007	Publication fourth quarter and annual results 2006 (before start of trading) Analysts' meeting and press conference fourth quarter and annual results
26 April 2007	Publication first quarter results 2007 (before start of trading) Conference call analyst first quarter results General Meeting of Shareholders

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A decorative graphic consisting of a thin white horizontal line that curves upwards on the right side. To the right of the curve, there are two overlapping circles of a lighter blue shade, partially cut off by the edge of the page.