



**Annual report
2006**

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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BELGIUM

Revenue: € 726 million
Branches: 204

GERMANY

Revenue: € 99 million
Branches: 60

FRANCE

Revenue: € 487 million
Branches: 183

ITALY

Revenue: € 136 million
Branches: 82

LUXEMBURG

Revenue: € 21 million
Branches: 7

THE NETHERLANDS

Revenue: € 1,598 million
Branches: 688

AUSTRIA

Revenue: € 32 million
Branches: 9

POLAND

Revenue: € 27 million
Branches: 26

PORTUGAL & SPAIN

Revenue: € 373 million
Branches: 203

SWITZERLAND

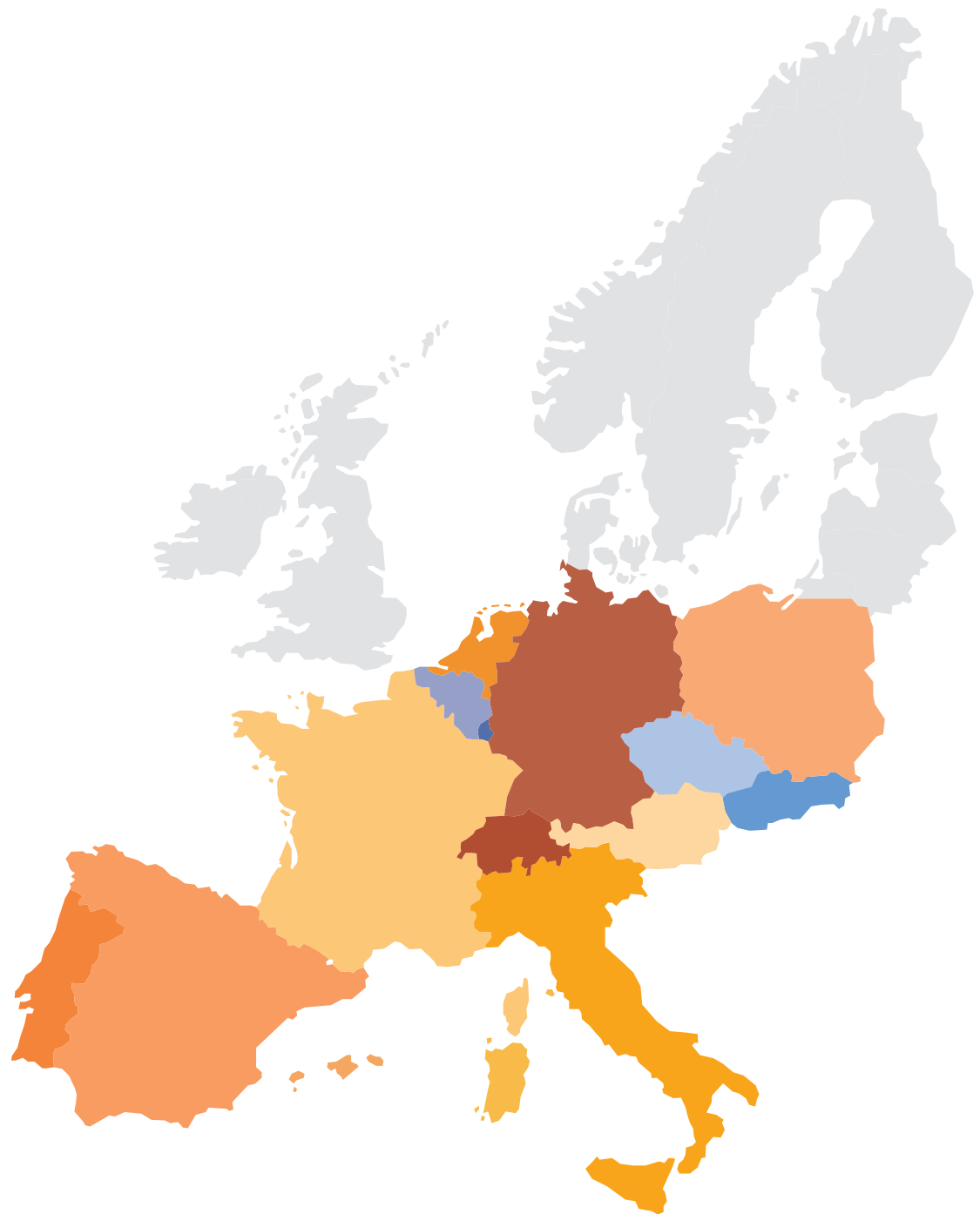
Revenue: € 34 million
Branches: 13

CZECH REPUBLIC

Revenue: € 3 million
Branches: 15

SLOVAKIA

Revenue: € 1 million
Branches: 6

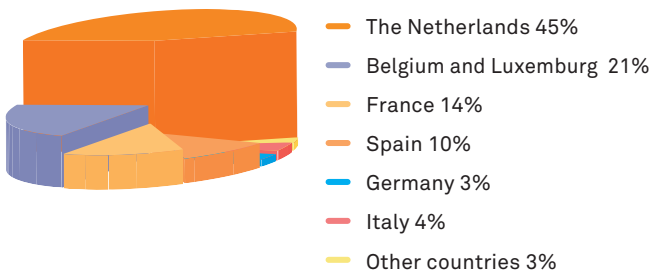


At a glance

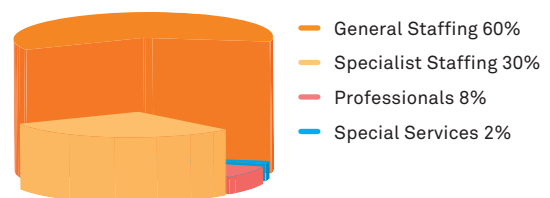
- € 3.5 billion revenue
- 160,000 flexworkers at work every day
- 8,300 corporate staff
- 1972 established in The Netherlands
- 1,500 branches
- 21 operating brands
- 13 countries
- 4 activities:
 - General Staffing;
 - Specialist Staffing;
 - Professionals;
 - Customer Care

TOP 5 European player
in staffing, secondment and HR-solutions

REVENUE PER COUNTRY



REVENUE PER ACTIVITY



Executive Committee USG People N.V.

Left/right standing: Hans Coffeng (EVP), Albert Jan Jongsma (CVP),
Leo Houwen (CVP), Albert Klene (EVP), Ron Icke (CEO)
seated: Yvan Dierckxsens (EVP), Evamaria de Boer (CVP),
Rob Zandbergen (CFO)





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.

Key figures

In thousands of euros unless otherwise stated

| | 2006 | 2005 |
|---|------------|------------|
| Net revenue | 3,536,836 | 1,977,609 |
| Operating performance | 206,244 | 91,056 |
| Operating income | 194,206 | 64,185 |
| Amortisation and impairment intangible assets | 27,155 | 17,473 |
| Depreciation property, plant and equipment | 20,192 | 15,804 |
| Operating cash flow | 161,247 | 114,974 |
| Net income | 110,853 | 21,077 |
| Dividend | 45,445 | 12,594 |
| Equity | 574,420 | 472,209 |
| Investment in intangible assets | 11,305 | 5,553 |
| Investment in property, plant and equipment | 21,728 | 11,586 |
| Stock market value at year end | 2,089,827 | 1,127,155 |
| Total shares issued* | 63,117,700 | 62,969,532 |
| Average numbers employed | | |
| - indirect personnel | 8,251 | 5,599 |
| - direct personnel | 111,432 | 58,480 |
| Number of branches | 1,496 | 1,439 |
| Ratios as percentage | | |
| Operating performance / net revenue | 5.8% | 4.6% |
| Operating income / net revenue | 5.5% | 3.2% |
| Net income / net revenue | 3.1% | 1.1% |
| Profit distributed / net income | 41.0% | 59.8% |
| Equity / total equity | 30.2% | 22.9% |
| Per share in euros | | |
| (based on total shares in issue at end 2006) | | |
| Net income | 1.76 | 0.33 |
| Operating cash flow | 2.55 | 1.83 |
| Dividend | 0.72 | 0.20 |
| Equity | 9.10 | 7.50 |
| Share price at year end | 33.11 | 17.90 |
| Highest share price | 36.33 | 18.10 |
| Lowest share price | 18.20 | 8.48 |

Report to the shareholders

Dear Shareholder,

2006 was a successful and profitable financial year for USG People. It was also a memorable year for the shareholders. The share price of USG People rose by 85% in 2006, taking account of the split of the share in October 2006. According to a study by Thomson Financial it is the best performing share from an international selection of publicly listed service providers.

The confidence of the capital markets in our company is quite understandable; during the year under review we posted revenue in excess of € 3.5 billion or 18.2% higher than in 2005 (pro forma). But in our opinion what is even more important is that the operating margin rose from 3.9% in 2005 (pro forma) to 5.8%. This means a jump in the operating performance to € 206 million (2005: € 118 million pro forma). Together this resulted in earnings per share of € 1.76.

These good performances were realized in a positively inclined staffing and secondment market. Thanks to continuing economic growth in all euro-zone countries demand for flexible personnel and labour market services rose strongly across the line in the thirteen countries where we operate.

The fact that we also increased shares in all our important markets demonstrates that the freshly-honed multi-brand strategy still has a differentiating effect, making it as successful as ever. Almost without exception the labels of USG People outperformed the market average in both mature and growth staffing markets. This is all the more striking, as during 2006

we also had to focus on the integration of the Solvus and USG organisation in USG People. As is well known, meshing two cultures (however beneficial these may be) and the various operating methods, systems and organisational formulas generally spell deceleration of growth.

The fact that we also grew strongly in autonomous terms also evidences the success of the integration in practice. This is a great compliment for all our personnel and flex-workers who realized this without the quality of services having to suffer. Their commitment helped us to fully benefit from growth in demand for flexible labour and other labour market services. Indeed, in most of our countries we actually won market share.

Our expectations for the current financial year are equally optimistic, obviously so long as economic developments continue at the same level. First and foremost, in 2007 we expect to fully benefit from the many synergetic benefits from the acquisition of Solvus. Last year we commenced the physical bundling of existing back-office activities in our most important sales markets, into central Shared Service Centers. When this operation is also completed in The Netherlands at the end of 2007 it will enable the further reduction of our operating costs for the Shared Service Centers.

We have high expectations for the effects of the previously started up re-labelling operation for our brand portfolio. By combining the smaller brands, all activities in the area of general staffing under a single denominator, while forging a clearly identifiable link between the labels for professionals and the parent company we have reinforced our market position and boosted the return from marketing activities. Moreover this will free-up investment scope to more actively support the position of strong local brands. The photos in this annual report are developed according to the new house styles of the relabelled brands and are being used, among other things, in their brochures.



A third reason for our firm confidence in continuing profit and revenue growth in 2007 is the recovering demand for specialist staffing and secondment in growth markets. This speciality is well known as one of USG People's core competencies. We can realize above average growth with an accelerated roll-out into these markets of the brands in this segment and hence post more attractive margins.

All in all I can look back with considerable satisfaction on my first financial year as chairman of the Executive Board of USG People. This is all the more so as I see this enthusiasm shared on a day to day basis, and not just at the head office in Almere but also among the 1,500 branches that make up USG People and the 160,000 flex-workers for whom we mediate – as well as the more than 85,000 clients who put their confidence in us. In the final analysis our activities are people-focused and a good atmosphere with a high level of commitment is the best guarantee for the input, creativity and loyalty sought by our clients.

Viewed from this angle our good results are evidence that everyone involved with USG People did an excellent job again in 2006 – for which I give them my sincere thanks.

Ron Icke, *Chief Executive Officer*

General information on the share and financial calendar

Stock market listing

The ordinary share USG People is listed on Euronext Amsterdam (ticker symbol USG) and in 2006 was included in the Amsterdam Midcap-index of Euronext (AMX). Alongside the Midcap-index the share is also included in Euronext's Next-150 Index. As from 7 February 2007 options on shares of USG People will be traded on Euronext Amsterdam.

Share capital

At the end of 2006, issued share capital comprised:

| | Total | Nominal value |
|-------------------|------------|---------------|
| Ordinary shares | 63,117,700 | € 0.50 |
| Personnel Options | 147,784 | € 0.50 |

The 1:2 share split on 13 October 2006 doubled the number of ordinary shares and personnel options of USG People. Each ordinary € 1.00 par share of USG was split into two ordinary shares of € 0.50 par. The number of options rights exercised meant that the number of shares increased with 149,624 to 63,117,700 shares at the end of 2006.

Issue of shares

Every year the General Meeting of Shareholders is requested to extend the duration for which the Executive Board is designated as the authorized body, with approval of the Supervisory Board and with due consideration of the stipulations of the articles of association and legal provisions, to elect to issue shares and to limit or exclude the legal preference right, for a period of 18 months from the date on which the General Meeting of Shareholders is held.

The request for extension of the duration, for which the Executive Board is designated as the authorized organ as referred to above, relates to a possibility explicitly provided by law and which is anchored in the articles of association. The Executive Board may only exercise this authority with the approval of the Supervisory Board and shall only exercise this authority where this is in the interests of the company. This authority shall relate

to a maximum of 10% of all shares of the issued capital of the company, as at the time of issue.

Earnings per share

Earnings per share, based on the average number, stood at € 1.76 for 2006.

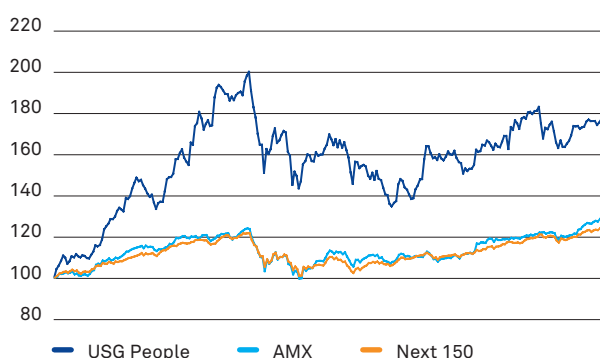
| 2006 | 2005 | 2004 |
|------|------|------|
| 1.76 | 0.43 | 0.54 |

Price and volume development

Following the strong increase at the start of the year growth in the share market slowed down somewhat during the summer. A strong drop in the market in the last weeks of May was followed by a lateral price movement and high level of volatility during the summer.

The main reason for the weak market was profit taking on the preceding price rises prompted by fears around interest rates. The share price recovered substantially in the last quarter. The early months of the year saw the rise in the share of USG People outstrip the market with a high of € 36.33, even so it was unable to break free of the summer's downward movement; hence, the price in this period also showed a decline. The price recovered again in the last quarter to close the year at € 33.11. This closing price represented a price increase of 85% up on 2005's closing price of € 17.90.

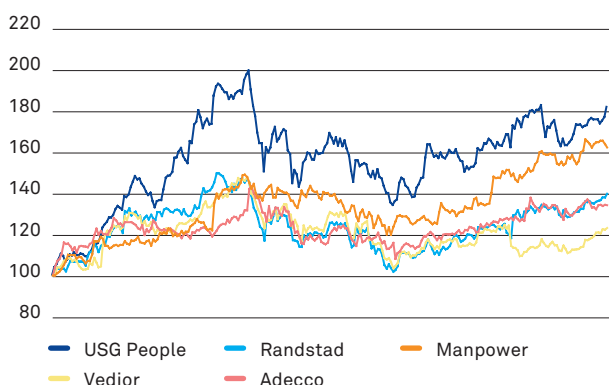
Development of the USG People share in 2006 compared with the indexes where USG People is listed



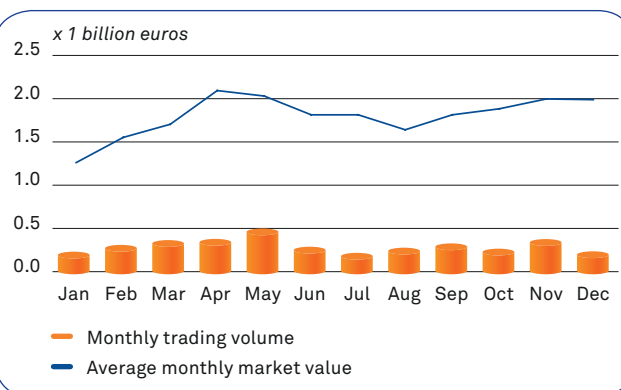
General information on the share and financial calendar

The share of USG People considerably outperformed the indexes where it is listed. In 2006 the AMX index rose by 30% and the Next-150 Index by 25%. In 2006 the share of USG People was the best performing fund on the AMX-index. The USG People share also outperformed all comparable temporary staffing organisations during 2006.

Development share price of USG People in 2006 compared with other temporary employment organisations



The rise in share price almost doubled the market value of USG People from € 1.1 billion at the end of 2005 to € 2.1 billion on the last day of trading in 2006. Average monthly trading volume stood at € 271 million and an average of 15% of shares in issue were traded per month. An average of 447,000 shares were traded on a daily basis. In 2006 USG People ranked fourth among AMX funds in terms of highest trading volume.



Details per share based on average number of shares

| | 2006 (IFRS) | 2005 (IFRS) | 2004 (IFRS) | 2003 | 2002 |
|---------------------------|----------------|----------------|----------------|------|------|
| Operating cash flow | 2.56 | 2.31 | 1.04 | 1.65 | 1.13 |
| Net income | 1.76 | 0.43 | 0.54 | 0.33 | 0.57 |
| Dividend | 0.72 | 0.20 | 0.20 | 0.20 | 0.25 |
| Dividend / net income (%) | 41% | 47% | 37% | 62% | 44% |

Disclosure of major holdings

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

| | |
|--|-------|
| Hovu Beheer N.V. | 30% |
| Threadneedle Asset Management Holdings Ltd | 5.25% |

Shareholdings of Executive Board directors

| | |
|----------|--------|
| Ron Icke | |
| Shares | 5,000 |
| Options | 20,000 |

Shareholdings of Supervisory Board directors

| | |
|-------------|------------|
| Alex Mulder | |
| Shares | 18,905,598 |
| Options | 20,000 |

| | |
|-------------------|--------|
| Christian Dumolin | |
| Shares | 53,000 |

Dividend policy

The objective of the dividend policy is a dividend payout of approximately 1/3 of net profit 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.

Investor relations

USG People seeks to maintain good relations with its shareholders and to enhance transparency to the market as much as possible. The objective here is to provide good insights into current developments. In so doing USG People aims to be a more attractive company for existing shareholders – as well as for an increasingly broad group of investors. In 2006 the share of USG was included in the AMX-index. This meant that interest in the shares of USG People could spread into a broader group of institutional and private investors. During this first year the shares of USG People achieved the fourth highest trading volume of all AMX funds.

Road shows and analyst meetings were held to reinforce and further expand good relations with investors, analysts and the financial press. There were also a large number of individual contacts via one-on-one meetings. Personal contacts are an important boost to website and media communication.

During the course of the financial year three analyst meetings were held to brief on the annual figures for 2005 and the half-year and third quarter figures for 2006. These gatherings were also accessible via web casting on USG People's website. 2006 saw a further increase in the number of media contacts and analysts involved. This enhanced coverage. USG People is now tracked by around fifteen analysts giving representation to most major stock-broking firms and brokers.

During 2006 road shows for shareholders and investors were held in the Benelux area, Britain, France, Italy, Germany, Austria, Switzerland, Ireland, Scotland, Scandinavia, the United States

and Canada. There were also a large number of one-on-one meetings and management took part in international conferences.

Financial calendar

26 April 2007

Publication first quarter results 2007 (before start of trading)
Conference call analysts first quarter results
General Meeting of Shareholders

30 April 2007

Ex dividend quotation

7 May 2007

Dividend payable

27 July 2007

Publication second quarter results 2007 (before start of trading)
Analysts meeting and press conference second quarter results

29 October 2007

Publication third quarter results 2007 (before start of trading)
Analysts meeting and press conference third quarter results

7 March 2008

Publication fourth quarter and annual results 2007 (before start of trading)
Analysts meeting and press conference fourth quarter and annual results

29 April 2008

Publication first quarter results 2008 (before start of trading)
Conference call analysts first quarter results
General Meeting of Shareholders

Contact investor relations

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Email: rzandbergen@usgpeople.com

Start People photographs people working and enjoying. The type of job is clear. These people are pro-active and the atmosphere they generate is positive. We show them the way they are.



Profile

USG People is active with a large number 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 turnover of € 3.5 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 active in Europe's staffing, secondment and HR market; we seek to realize this with a strong multi-brand portfolio. The multi-brand portfolio evidences a good balance of general and specialist services.

The work-life balance plays an important role at USG Capacity. The photographs express this with someone from USG Capacity in both professional and private life.



Strategic and financial objectives

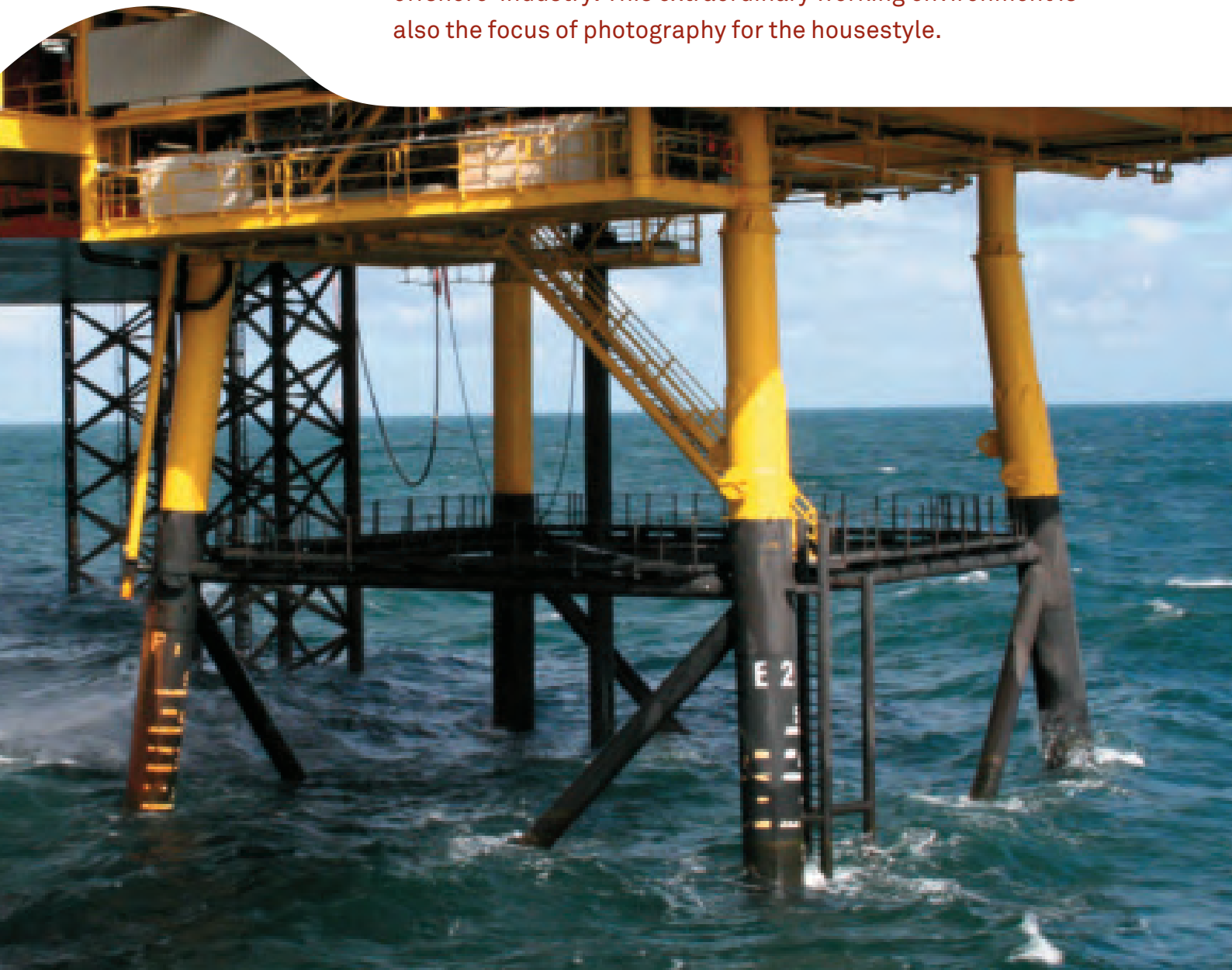
These are our most important strategic and financial objectives for the next three years:

- A further growth in turnover, both autonomously and through acquisitions. The main thrust for acquisitions in the Benelux region will be on specialist services; outside Benelux it will also be on accruing scale.
- 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.
- Specialist Staffing and Professionals: launch specialist service offering outside Benelux.
- HR Services: reinforce existing positions.
- 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 by all our personnel is the rule, notwithstanding origin, gender, age, faith or disability.

The activities of USG Energy mainly concentrate on the offshore-industry. This extraordinary working environment is also the focus of photography for the housestyle.



Activities

General Staffing

USG People has been active in general staffing and secondment for several decades. We provide fast, flexible solutions for job seekers and companies alike. We cover the European temporary employment market via one of the group's international brands, Start People.

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, callcenters, technical and medical.

The international brand names for these activities are 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. USG Innovativ, USG Legal Forces, USG Financial Forces, USG HR Forces and USG Restart are the international brand names for these activities.

Customer Care

High-grade customer contact centers providing knowledge-intensive services around sales, personnel recruitment, information, complaints and e-mail response.

House style and photography evidence quality and standards at Secretary Plus. The key words here are personal, accessible, first class, self-assured, fashionable and international. Secretaries are photographed as models. They are attractive, open, service oriented.



Brand overview

General Staffing

Start People

(previously Start, People and Creyf's, branches in thirteen countries)

International temporary employment agency covering all market sectors. Start People also provides customised solutions through its specialized divisions. These include governmental, education, hotel and catering, industry and technology, transport and logistics, medical and other care, HR Solutions, administration, callcenters, constructions, senior experience. Start People also embeds in-house branches with major clients.

Proflex

(branches in The Netherlands)

In-house organisation of flexible employment at client organisations.

Specialist Staffing

Ad Rem Young Professionals

(branches in The Netherlands)

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.

ASA Studenten Uitzendbureau

(branches in The Netherlands)

ASA is the largest nationwide student staffing operation with just over 75,000 university and professional university students in its database. The organisation has branches in all university cities. Its strong track record in full-service goes back several decades.

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 callcenter functions.

Creyf's

(branches in The Netherlands)

This temporary staffing agency focuses on the industrial and administrative segment – mainly for the small to medium enterprise sector.

Dedicated visuals highlight the specialisations of Start People. Start People HR Solutions supervises and advises the small and medium enterprise sector around personnel management and HR consultancy.



Brandoverview

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.

Start People Medi Interim

(branches in The Netherlands)

Specialist temporary employment, secondment and payroll services in the medical sector.

Secretary Plus

(branches in The Netherlands and Belgium, France 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)

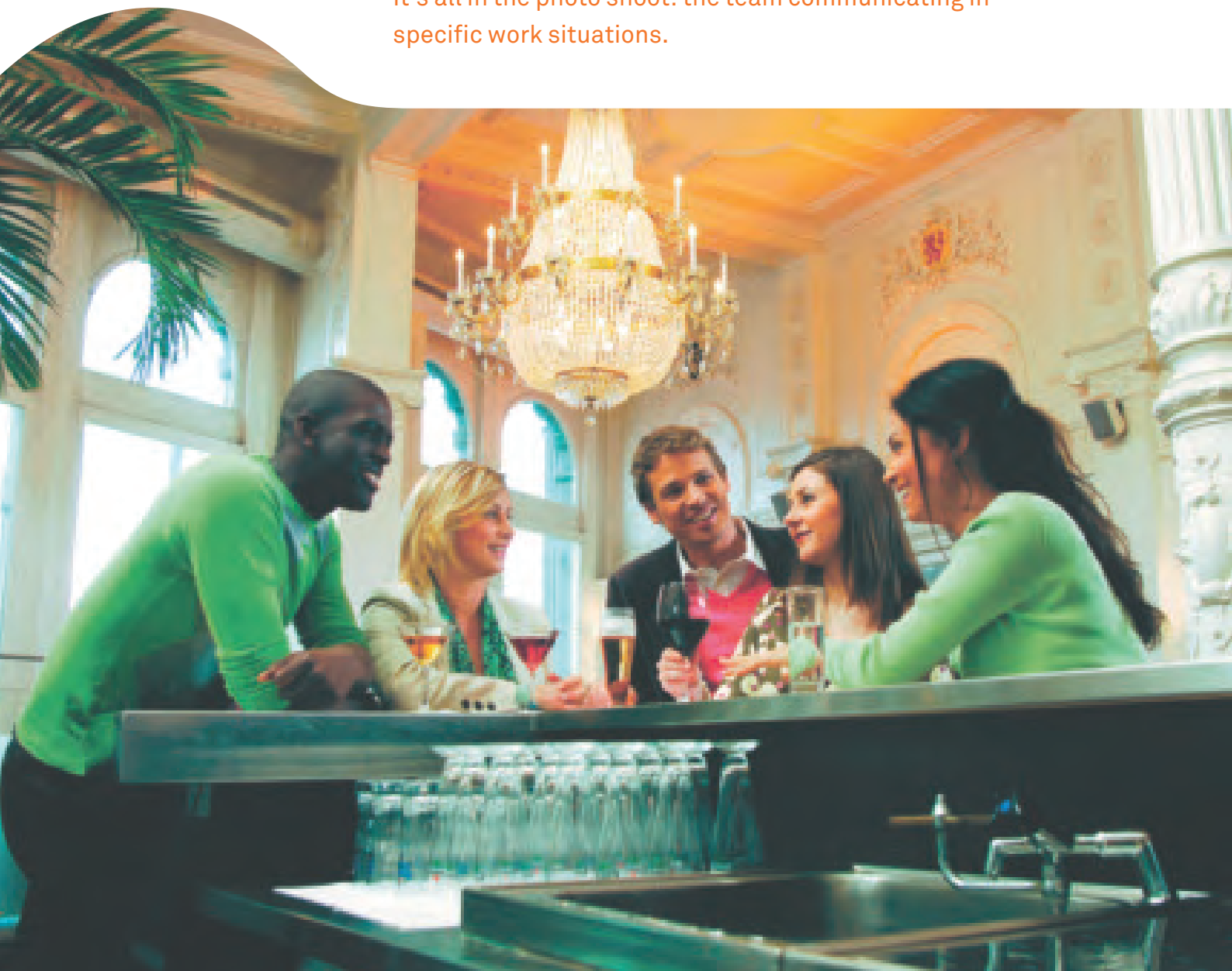
Temporary employment and secondment of technical personnel trained with lower or secondary technical education.

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.

At Unique it's all about individuals – people with specific personal skills and qualities. But team players, all the same. It's all in the photo shoot: the team communicating in specific work situations.



Professionals

USG Innotiv

(branches in The Netherlands, Belgium and France)

- Technical projects (implementing) agency, specialized across a wide range of key technical specialities.

USG Innotiv is Holland's largest technical project bureau. Staff come from technical/environmental backgrounds, with college or college equivalent educations.

- IT-solutions

IT-service provider specialized in personnel and organisational solutions. The secondment operation concentrates on three areas: application development, infrastructure, system management and ERP.

USG Financial Forces

(branches in Belgium, France and The Netherlands)

Total provider in staffing, recruitment, selection and secondment of personnel at all levels, in the financial sector. Financial Forces' specialized divisions (Finance & Accounting, Banking & Insurance) carry out bookkeeping, financial, banking and insurance/technical functions.

USG Legal Forces, Utrechtse Juristen Groep

(branches in The Netherlands and Belgium)

For and by the legal profession. Active in recruitment and selection of lawyers, legal interim management and legal projects.

USG HR Forces

(branches in Belgium, Luxemburg, France and Spain)

Service offering covers temporary replacements, recruiting and selection of permanent HR-specialists, structural outsourcing, HR and HR processes, organisational support for start-up and transition.

USG 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)

Recruitment, selection, interim management and support of higher-trained communication, marketing and sales professionals (minimum three years of work experience).

USG Restart

(branches in The Netherlands)

Specialist in job coaching, outplacement and reintegration.

Functions/target groups around specialisations at Start People are photographed in a distinguishable manner. Start People Professionals focuses on staff at (professional) university level.



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. The offering includes helpdesks, marketing campaigns, customer care, loyalty programmes, callcenter training and back office & fulfilment activities.

Technicum focuses on technically-skilled personnel at lower secondary and intermediate educational level. Activities cover several technical segments. Photography shows staffers embedded in their specialist working environment.



We believe in...

Strong brands

USG People is active with a large number of brands 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. 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.

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.



We believe in...

Art

Art motivates, inspires and creates an environment that feels good. 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 Christmas presents, they receive lithographs and art-related gifts. In 2006 USG People opted for sponsorship of the 'Van Gogh and expressionism' exhibition. As part of this, talented young artists were asked to create works matching with the theme of the exhibition. In December almost ten thousand silkscreen prints from this exhibition were presented to personnel.

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 via its largest label Start People. In this respect, the International Accounts department acts as commercial knowledge center and plays a central role in drafting cooperative agreements. Multidisciplinary 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 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. The 2006 Innovation Award was won by Unique Receptel for its highly professional approach to outsourcing reception services. This features a strong focus on quality, presentation and- self evidently - availability. This concept was supported with a digital dashboard, whereby the client can 'read' the quality of his "visiting card" - and compare this with the benchmark.

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.

Report of the Supervisory Board

For USG People 2006 was the first full financial year after the acquisition of Solvus. This made it a year of change – also for various parties involved with the group: flex workers, regular staff, clients, shareholders and management. These changes covered most areas. As an example, our clients and flex workers saw this with the combination of operating companies and the relabelling. Regular staffers saw the back offices merged, and for our shareholders there was the share split. Meanwhile, new management structures affected executives and board members. A wider, more internationally oriented company required the Supervisory Board's attention. This was among the reasons underlying the increase in the membership of the Supervisory Board and the operationalisation of the two internal committees.

Alongside – or indeed because of – the many changes it was an exciting year with the first signs of a successful integration. For all of our personnel, the almost tangible energy generated during the process boosted splendid performances. Indeed, the Supervisory Board takes great pleasure in presenting you with the annual report compiled by the Executive Board.

At the same time as increasing the number of board members from four to five – a decision endorsed by the General Meeting of Shareholders on 9 May 2006 – the Supervisory Board instituted two internal committees, the audit committee and the remuneration and appointments committee. The Supervisory Board met six times in 2006 and once without the Executive Board. The external auditor was present at the meeting to deal with the annual accounts for 2005. In addition, on a number of occasions the Supervisory Board received senior management of USG People who made a presentation on request, concerning a specific issue.

The most important issues discussed at meetings of the Supervisory Board were:

Financial results

The Supervisory Board frequently considered the financial reporting, the manner in which the annual accounts were arrived at, the quarterly figures, the 'in-control'-statement, the contacts with the auditor and the consequences of IFRS. The Supervisory Board consulted with the external auditor of USG People concerning financial developments and the relevant findings of the accountant.

Integration

The back offices in Italy, Spain, Belgium and Germany were merged in 2006. In The Netherlands a start was also made on relocating the Shared Service Center from The Hague to the head office in Almere. A new building was leased, in connection with the relocation to Almere. The Eurotoren (Euro tower), as it is called, is only walking distance from the head office and has been largely occupied already.

Risk management and internal control

We made a new inventory of the ten most important operating risks and the relevant control mechanisms. This issue was discussed at the meeting of the audit committee and feedback given to the Supervisory Board as a whole.

Strategy

Every year there is a discussion around strategy with the Supervisory Board. This year exchanges included potential for revenue growth and the various possibilities for reinforcing existing positions both in terms of autonomous growth and acquisitions.

Acquisitions and divestments

In 2006 Buro Transport Opleidingen (BTO) and Luzac Holding were sold to their management. In turn, USG People purchased the Utrechtse Juristen Groep (Utrecht Legal Group), Start Czech Republic and Start Slovakia. Permission for these acquisitions and divestments was requested from and granted by the Supervisory Board.

Management structure

The Supervisory Board discussed management structure on a number of occasions. With the successful integration and embedding of the ex-Solvus companies within the organisation, in July 2006 it was decided that the COO function could be allowed to lapse, since when the Executive Board again comprises a CEO and a CFO.

Remuneration policy

Both the Supervisory Board as a whole and the remuneration and appointments committee separately discussed remunerating policy. The renewed policy was approved by the General Meeting of Shareholders on 9 May 2006. In addition to a basic salary the members of the Executive Board receive short- and long-term bonuses. The long-term bonus is in shares granted under the Unique Share Plan.

Functioning of the Executive Board and the Supervisory Board

The Supervisory Board met without the Executive Board to discuss matters including its own functioning as a whole and that of individual members separately. All members of the board complied with attendance obligations and made a positive contribution to decision making. With the company's increase in scope and complexity it was considered necessary and meaningful to establish the two internal committees.

The Supervisory Board also met without the Executive Board to discuss the composition and functioning of the Executive Board as a whole and in terms of its individual members. Supervisory Board is pleased to note that the new two-person Executive Board is functioning well and decisively.

Report of the Supervisory Board

Composition and resignation by rota of the Supervisory Board

In 2006 the Supervisory Board was increased from four to five members. Bert de Vries stepped down and Alex Mulder and Christian Dumolin joined the Supervisory Board. In addition Cor Brakel and Marike and Lier Lels were reappointed for respectively four and two years. The periodic rotation scheme is as follows:

| | | |
|----------------------------------|------|------------------|
| Cor J. Brakel (chairman) | 2010 | (joined in 1998) |
| Christian Y.I.E. Dumolin | 2008 | (joined in 2006) |
| Joost H. van Heijningen Nanninga | 2009 | (joined in 2001) |
| Marike E. van Lier Lels | 2008 | (joined in 2002) |
| Alex D. Mulder | 2010 | (joined in 2006) |

Share split

The share price of USG People increased very strongly in 2006. In view of the higher price and the investor relations' policy of increasing cash instruments, as well as the wish to further internationalise share ownership while increasing the percentage of private shareholders the Executive Board proposes to split the share in the proportion of 1:2. The Supervisory Board issued a positive advice on this. After approval of the Extraordinary General Meeting of Shareholders on 13 October 2006 the shares were duly split in this proportion.

Management development programme

USG People believes that it is extremely important for personnel to continually develop. To this end we set up a permanent training and development plan for all employees. The Supervisory Board has been comprehensively briefed on this programme and reemphasised the importance of a good school for potential leaders.

Audit committee

The audit committee met three times in 2006, and on each occasion the meetings were attended by the full membership of the Executive Board. The external auditor also attended two of the meetings. Among other things the audit committee monitors the Executive Board as regards to the operation of internal risk management and control systems, application of IFRS, policy on fiscal planning, the financing of the company, following of recommendations by and relations with the external auditor. The audit committee comprises Christian Dumolin (chairman), Marike van Lier Lels and Alex Mulder.

Remuneration and appointments committee

This committee, comprising Joost van Heijningen Nanninga (chairman) and Cor Brakel, makes proposals to the General Meeting of Shareholders on the remuneration of the members of the Executive Board and the Supervisory Board. The remuneration and appointments committee met once in 2006. Up to the General Meeting in May 2006 there were extensive talks with the

entire Supervisory Board on the renewed remuneration policy. There was also a wide exchange of ideas around the appointment of new members to the Supervisory Board. The next term of office ends in 2008, so that no new appointments will be made at this time. In view of the above there was no reason for the committee to meet more than once during the period June to December 2006.

Dividend

The Executive Board proposes a dividend of € 0.72 per share, by option in cash or in shares. This proposal is further specified on page 143.

Adoption

Pursuant to the articles of association of USG People the Supervisory Board submits the annual accounts 2006 to the General Meeting of Shareholders for adoption. The annual report includes an account by the Executive Board for its management and an unqualified auditor's report on the financial statements. The report by the auditor, PricewaterhouseCoopers Accountants N.V., is shown on page 142. The Supervisory Board proposes that the annual accounts should be adopted, the dividend proposal should be approved and that the members of the Executive Board should be discharged for their management and members of the Supervisory Board for their supervision.

Last of all

Last of all the Supervisory Board also reports that during the year under review, 2006, communications between the Executive Board and the members of the Supervisory Board were regarded as both open and constructive. The Supervisory Board is pleased to thank the Executive Board and all members of personnel for their dedication and the splendid result this produced.

Almere, 6 March 2007

Supervisory Board

Cor Brakel, chairman

Christian Dumolin

Joost van Heijningen Nanninga

Marike van Lier Lels

Alex Mulder



Report of the Executive Board

Key developments in 2006

That 2006 would be a special year was certain. Indeed, the year behind us saw USG People more than double with the acquisition of Solvus and we now ranked among the top five providers of flexible personnel and other employment market services in Europe. Revenue growth was increasing in the last quarter of 2005 and it was important to encourage and create scope for this expansion, but at the same time to implement – rapidly and efficiently – integration of both organisations at the head office level and the Shared Service Centers. Both objectives were essential for the success of the new combination in 2006.

The success of both objectives meant that 2006 went exceptionally well for USG People. Group revenue rose 18.2% autonomously on the pro forma revenue for 2005 to just over € 3.5 billion. Once again this evidences USG People's status as an above average fast grower. We also realized a considerable improvement in profitability. The operating result stood at € 206 million (2005: € 118 million pro forma), and net income totalled € 111 million (2005: € 30 million pro forma). Meanwhile the operating margin rose from 3.9% (pro forma 2005) to 5.8%. This is only a fractional difference with the objective for 2007 which envisages an operating margin of at least 6.5%.

Economic growth

Demand for general staffing services was as high as ever thanks to continuing economic growth in our Euro zone locations. Following increased hirings of flexible personnel by larger scale enterprises in preceding years, in order to meet demands for capacity, as expected, during the financial year we also saw a strong rise in demand from small and medium enterprises. Meanwhile, calls for high-grade specialists increased across the board.

USG People has a strong market position in all these segments, both in mature general staffing markets and markets with above average growth potential. The combination of a balanced geographic spread and a broad service offering thanks to our multibrand strategy, once again gave the group a competitive edge so that all our national locations realized autonomous growth at least in line with the market; we also frequently increased our market share. Only Germany showed performances slightly behind the rest of the group. During the second half of the financial year Germany also went into accelerated growth and this is promising for the future.

This powerful growth development in our most important sales markets in 2007 is likely to continue. In the mature staffing and secondment markets of The Netherlands, Belgium and France employers increasingly view flexible labour as a way to have capacity requirements keep pace with economic ups and downs, and to ensure the supply of increasingly hard to find specialist

talent. Indeed, the upcoming 'war for talent' means that this can only get more urgent.

In the still relatively underdeveloped markets for flexible employment in Southern, Central and Eastern Europe we see a growing social acceptance of temporary and secondment work. As well as reinforcing the position of locally representing providers like USG People, in many cases this also means a step-by-step liberalisation of labour legislation. In the near future removal of statutory barriers will mean an even stronger boost – more so than last year – for a broad range of employment services.

Outperformer

Looking to the period ahead this means that we count on continuing positive growth development. In 2006 USG People took a substantial advance on this in all markets and segments. In the relatively mature Benelux staffing markets group revenue grew by an autonomous 18%.

As a result USG People's market position as second largest provider in The Netherlands and Belgium was reinforced. With a 9.5% operating margin we are margin-leader in The Netherlands. In Belgium and Luxemburg our 15% revenue growth was faster than the market average.

Of other countries where we are located Spain (+ 22%), France (+ 14%) and Italy (+ 31%) generated higher revenue as well as gaining a higher market share. Performance in the other countries showed an average 25% increase in revenue, which was also above average. Meanwhile Poland posted the highest growth in the group with revenue up by 60%. Only Germany yielded some market share in the first half of 2006.

The relatively balanced growth developments have meant an unchanged large share of USG People's most important markets – The Netherlands and Belgium – in group revenue. Together these make up two-thirds of revenue.

At 60% general staffing is the largest segment contributing to revenue per speciality. General staffing activities grew by 18%.

Meanwhile specialist services (Specialist Staffing, Professionals, HR Services and Customer Care) which generate higher margins achieved slightly higher volume growth at 19%.

Cost reduction

Our market position has gained competitive muscle across the board.

Alongside important revenue growth the positive results for 2006 were also significantly due to the continued focus on cost reductions. However, operating expenses did increase by a nominal € 592 million to € 641 million, but as a percentage of revenue the cost ratio declined from 19.8% to 18.1%.



Report of the Executive Board

The nominal cost increase resulted from higher personnel expenses and higher selling costs. Personnel expenses rose due to an increased workforce in line with the strong growth of activities, and selling costs rose due to relabelling and restyling. Branches and statements were restyled to mesh with the new group identity and 'double' brands were merged into a single label. Market activities to position the merged product were further intensified. Alongside increased marketing the year under review brought the opening of 57 new branches.

To a degree higher costs could be compensated by lower accommodation costs and depreciation with the physical merging of back office-activities in most countries where we are located. This time-consuming operation was virtually completed in 2006. Completion of the merging of the Dutch support activities is expected to be completed in 2007.

No growth acquired

As noted above volume growth was almost totally due to autonomous growth. Indeed, in terms of contribution to revenue the net balance of acquisitions and divestments during the report year was virtually nil. To extend the group's operating area in the growth area of Eastern Europe we bought back the activities set up in the Czech Republic and Slovakia by Start as it then was. In 2002 these activities had been sold to the current management with USG People having a buy-back option under pre-set conditions. Having exercised this option USG People is now located and active in thirteen countries with 57 new branches giving a total of 1,496 branches. In fact, the increase in the number of branches during the financial year was mainly realised outside The Netherlands and Belgium.

The Utrechtse Juristen Groep (UJG) was acquired in order to reinforce the professionals segment. This new subsidiary recruits and selects legal interim and legal project personnel. The acquisition represents a significant addition to the professionals segment.

The additional revenue growth that came with these transactions was almost totally cancelled out by the decline in revenue due to the sale of training/ educational activities under the Luzac College, Inter-College, Abel Tasman College and Buro Transport Opleidingen labels which had ceased to match with core business. These activities were sold to the current management and yielded a recognised gain of € 19 million.

Board of Management

Another important development in 2006 was adjustment of USG People's management structure.

Membership of the Executive Board was reduced from three to two. Together with the Executive Vice Presidents the Executive Board forms the day-to-day management – also known as the Board of Management. The three Executive

Vice Presidents steer the three regions (Central Europe, South West Europe and The Netherlands). Alongside the Executive Vice Presidents there are three Corporate Vice Presidents who are responsible for the professional sectors Legal & M&A, HR and Corporate Affairs. The Executive Board, the Executive Vice Presidents and the Corporate Vice Presidents jointly form the Executive Committee and are tasked with the overall management of the company.

The Executive Board is quite convinced that the organisational changes have considerably enhanced the company's decisiveness, transparency and speed of decision-making. The new organisational structure also meshes better with international views on corporate governance in publicly listed companies.

Brand portfolio

In line with the brand strategy presented a year earlier, 2006 also saw a start made with the further streamlining and organising of the brand portfolio. The reason for this relabelling operation, which will continue in 2007, is that the acquisition of Solvus boosted the number of brands under the umbrella of USG People to such a degree as to occasionally blur clarity in the markets where the group is active. This holds back the potential recognition of some labels so that market identity meshes insufficiently with the desired image. Moreover, the smaller brands in particular feel the need to position themselves as part of a major European market party. Managing and maintaining this great diversity of brands also demands too much executive time and potential doubling-up further contributes to confusion and unnecessarily high marketing expenses.

With this in mind it was decided to combine all general staffing activities under the flag of Start People. To date the general staffing market is still covered by three distinct brand names, i.e. Start, People and Creyf's.

For labels covering specialist staffing and secondment services it was decided to maintain the existing brand names while emphasising the links with the group by adding the USG logo in front of all statements. The only exception has been for a small number of strong local brands. We consider adding the group name could actually detract from their very strong reputations. This means that Content will go forward under its own brand name and without the USG logo.

A clearly recognisable link has been for the brand names under USG Professionals. We see this as an essential boost for the proposition in often highly fragmented market segments where these labels operate. The designation USG has been placed before the brand name and, as with the specialist brands, the name will be preceded by the USG logo.

Finally a start has been made in combining the doubled-up brands under the same label, or deleting these altogether. As a result the Accea, Beaver

Report of the Executive Board

IT Services and Carela brands will be terminated in the course of 2007. An amount of € 6 million for this has been included under amortisation in the financial year 2006; this represents the accelerated amortisation on the capitalised value of these brand names.

Also in 2007

All and all, as the Executive Board, we conclude that 2006 was in every way an above-average year for USG People. Results rose to new records, the market share grew virtually all along the line, the sales markets developed well and are expected to show further growth in the years ahead. The integration of the merger partners USG and the former Solvus proceeds apace. A logical result of all this was that the share listed on the Midcap developed into an outperformer. During 2006 the share posted an 85% capital gain.

Although a degree of caution would be wise in assessing future market developments and their impact on our company, it seems quite reasonable to express our positive expectations. USG People is excellently positioned to fully benefit from the expected ongoing market growth. Our market proposition has been further honed while our field of operations comprises both mature staffing markets and market segments that will show above average growth in the years ahead. As a company we have the scale to continue investing at an adequate level in the expansion of our network, in new products and services and the further development of our personnel. We have also won a place among the top European providers of employment market services which is a precondition for our larger clients in a globalising economy.

Moreover, there are still further potential synergetic benefits from the acquisition of Solvus. With the virtual rounding off of integration of the support services in Shared Service Centers in the most important sales markets, more scope and focus can be devoted to sharing best practices and standardisation of working practices, procedures and systems within the group. Forms of marketeering will also be even more intensively shared and complementary labels will cooperate more closely. Making these things happen will further enhance our operating margin. Moreover, the adjustment of our brand portfolio means a real extra boost for our tried and tested multibrand strategy.

Hence, our strategy for the near future can be described as: continuation of present policy with special attention to the accelerated rollout of our specialist brands in markets with above average growth potential and return. Providing specialist flex-workers in markets where flexible employment and employment market services are an increasingly accepted phenomena, a relatively limited investment can enable relatively strong growth acceleration for the group. Moreover, an extra market share in this segment will mean a further improvement in margins.

An additional plus-point is that this decreases dependence on mature domestic markets. Currently, Benelux activities contribute two-thirds of revenue.

Initial experiences in this respect during 2006 were very promising. A try-out with the opening of branches of Secretary Plus in Paris and Lille was a great success from every angle. In the space of a few months revenue rose by 30%. In the meantime plans are well advanced to open more of such branches in the short term. French branches of USG Financial Forces had already booked similar positive results in the past.

In view of the successful launch of the specialist labels, in 2007 we will be investigating potential for starting these activities in our Italian, Swiss, Austrian, Polish, Czech and Slovak national markets.

Report of the Executive Board

Financial developments

The results and notes for 2006 presented in this section are on a consolidated basis. To enable an adequate comparison the figures for 2005 are presented pro-forma, whereby the financial information of Solvus, which was acquired in 2005, has been included for the whole year.

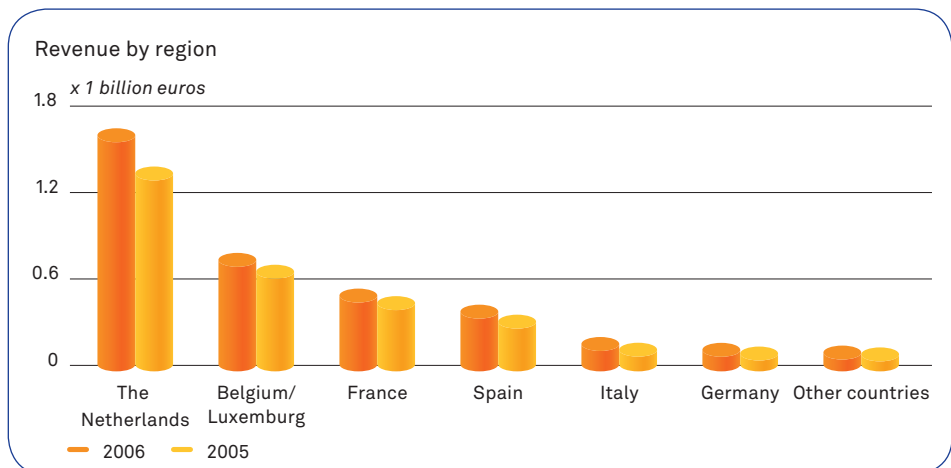
Revenue

As noted previously in this annual report 2006 can be considered as a successful year. Thanks to extremely good performances, both in USG People's domestic and growth markets group revenue was realised in excess of € 3.5 billion. Backed by ongoing economic growth the growth percentage more than doubled on 2005 to just over 18%. Hence, most regions outperformed the market overall and this secured a greater share of the market. Meanwhile, profitability improved strongly thanks to a more effective organisation due to integrations and synergetic effects. Increased operating leverage resulted in a 5.8% operating margin.

| <i>Amounts x 1 million euros</i> | 2006 | 2005 | Verschil |
|---|-------------|-------------|-----------------|
| Revenue | 3,537 | 2,993 | 18.2% |
| Gross profit | 847 | 710 | 19.3% |
| Operating costs | 615 | 557 | 10.4% |
| Depreciation | 26 | 35 | |
| Operating result | 206 | 118 | 88 |
| Non-recurring expenses for reorganisation and integration | | -26 | 26 |
| Result of sale of training activities | 19 | | 19 |
| Amortisation | -31 | -5 | -26 |
| Operating income | 194 | 87 | 107 |
| Gross margin | 23.9% | 23.7% | 20 bp |
| Operating expenses as percentage of revenue | 18.1% | 19.8% | -170 bp |
| Operating margin | 5.8% | 3.9% | 190 bp |

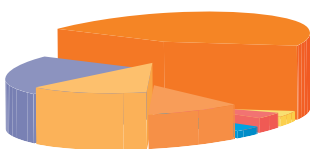
Growth trends

In 2006 Dutch revenue showed even month-by-month growth. After correction for the number of working days there was approximately 20% growth for the whole year on 2005, the only exception being December. During the last month of the year growth was lower due to the Christmas holidays falling on weekdays which was unfavourable compared with the previous year. In Belgium and Luxemburg a very good first half was followed by a decline in revenue growth in the last half year. This impacted negatively on the last half year due to the very unfavourable summer weather and the December holidays. In 2006 a third of group revenue was realised outside the Benelux region; in growth regions increasing growth continued throughout the year.



In 2006 all regions showed double-digit volume growth. Benelux revenue rose by 18%. France also performed exceptionally well with 14% growth while the market grew by 6%. In the growth regions Poland and Italy realised exceptional increases in revenue. Poland posted 60% growth and Italy realised just over 30% growth with an unchanged number of branches. With the exception of Germany all regions gained in market share. Total group revenue rose by just over 18% to more than € 3.5 billion.

Geographic spread General Staffing



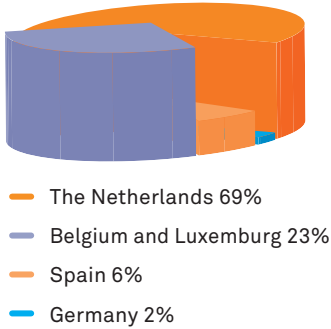
- The Netherlands 30%
- Belgium and Luxemburg 20%
- France 23%
- Spain 14%
- Germany 3%
- Italy 6%
- Other countries 4%

In all regions where USG People is active the offering includes general temping services in the General Staffing segment. This is the largest volume segment and in 2006 this grew 18% on 2005. This represents an annual increase of € 325 million. During the year under review there were no substantial acquisitions in the General Staffing segment. Growth was almost exclusively autonomous and all regions realised double-digit growth. At the end of 2006 General Staffing's share of total group revenue stood at 60%.

Specialist services in the segments Specialist Staffing, Professionals, HR Services and Customer Care, grew by 19%, which was slightly more than the general temping services. The lion's share of specialist services is provided

Report of the Executive Board

Geographic spread
Specialist services



in The Netherlands and Belgium. The training and education activities in the Dutch specialist portfolio were sold and the Utrechtse Juristen Groep was acquired. In France the year 2006 saw the launch of the specialist label Secretary Plus following the previous year's start up of the Financial Forces label, also in France. No specialist labels were introduced in Italy, Switzerland, Austria, Poland and Slovakia during 2006.

Revenue per segment



The Professionals segment grew strongly by autonomous growth. As from 1 July the activities of the Utrechtse Juristen Groep (acquired in 2006) were included in this segment. In Special Services the Training & Education activities were sold; the labels involved were Buro Transport Opleidingen, Luzac, InterCollege and Abel Tasman College. Effective the second quarter of 2006 the results of these companies ceased to be included in the figures and this reduced the volume of Special Services. All segments realised organic growth.

Gross margin

The gross margin rose from 23.7% in 2005 to 23.9% in 2006. Gross margins showed a slight upward trend during the course of the year, which did not show at a consolidated level until the third quarter; this was due to mix effects, including a very strong rise in in-house activities in The Netherlands. These can be provided at lower gross margins thanks to lower costs. During the fourth quarter the margin increase was apparent at the consolidated level with an improvement of 80 basis points on the fourth quarter of 2005.

Operating costs

Costs rose by 8% from € 592 million in 2005 to € 641 million in 2006. The € 49 million increase is the result of, in particular, higher employee expenses caused by volume growth, relabelling and marketing operations on one hand, and on the other by a reduction due to benefits of scale, with increased efficiency benefits caused by the integrations. The last quarter of 2006 saw the

start up of major advertising campaigns for Unique, Innotiv and Start People. Amortisation and accommodation expenses were lower, mainly due to integration of Start's back office. Expenses as a percentage of revenue declined from 19.8% in 2005 to 18.1% in 2006. The year 2006 brought the physical integrations of the sections of Solvus and USG in various countries. Further cost benefits from these combinations will only be apparent in the next several years.

Revenues from the sale of company components

The training activities of USG People were sold during the second quarter of 2006 and this yielded a book profit of € 19 million.

Amortisation of intangible assets

A total of € 31 million was amortised, of which € 15 million regular amortisation for the valued brand rights and client relationships. In addition for the combination of labels an amount of € 6 million for brand rights was amortised at an accelerated rate. Furthermore an amount of € 10 million for downward value adjustment goodwill was booked for the associated company Telecom Direct Almere.

Financial expenses

Financial expenses increased in 2006 due to a higher net debt position caused by the acquisition of Solvus in September 2005 and the increase in market interest. The net debt position on 31 December 2006 totalled € 611 million, including a convertible bond loan and a subordinated loan.

Tax rate

The effective tax rate stood at 31.4% which was below the average nominal rate of 32.0%. Positive effects came from the non-taxable revenues of € 19.2 million for the sale of training activities and € 6.9 million in proceeds from the coordination centre in Belgium. There were also negative effects due to the € 1.7 million writing down of the tax deferral due to the reduction of Dutch and Spanish tax rates and non-refundable losses. Furthermore, in 2006 non-deductible fiscal costs totalled € 9.0 million.

Tax rate 2006

| | |
|------------------------------|-------|
| Average standard rate | 32.0% |
| Tax-exempt revenues | -7.8% |
| Non-deductible expenses | 5.6% |
| Adjustment for tax deferrals | 1.1% |
| Adjustment previous years | 0.5% |
| Tax rate in income statement | 31.4% |

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

Report of the Executive Board

Balance sheet

The balance sheet total at the end of 2006 was € 1,900 million; this represents a reduction on the total at 31 December 2005 (€ 2,065 million), notably due to matching of bank receivables and borrowings. In broad lines there were changes to sections of working capital due to strong growth in operating volume growth during the year under review due to acquisition and sale of sections of the group. Equity increased by € 102 million compared to a reduction in the debt position which meant an improvement of capital ratio to 30% as against 23% at the end of 2005.

| <i>Amounts x 1 million euros</i> | 31-12-2006 | 31-12-2005 |
|--|-------------------|-------------------|
| Goodwill | 801 | 776 |
| Other intangible assets | 123 | 142 |
| Property, plant and equipment | 56 | 57 |
| Financial assets | 17 | 19 |
| Net deferred income tax | 23 | 51 |
| Working capital | 194 | 146 |
| Cash and cash equivalents | 40 | 301 |
| Equity | 576 | 474 |
| Subordinated liabilities | 181 | 191 |
| Provisions | 27 | 38 |
| Borrowings | 470 | 789 |
| Net debt position | 611 | 679 |
| Net debt positions not inc. subordinated liabilities | 430 | 488 |

Goodwill

Goodwill increased by € 25 million from € 776 million to € 801 million. The increase was due to goodwill paid on the acquisitions of the Utrechtse Juristen Groep, Start Czech Republic and Start Slovakia, HBO Services and a number of smaller acquisitions and earn-out payments. The total amount of goodwill for the above acquisitions stood at € 20 million. In addition goodwill was increased by € 15 million due to a review of previous valuations and acquisitions. Furthermore, an amount of € 10 million for goodwill was written down.

Investments

Payments to acquire property, plant and equipment and payments to acquire intangible assets (software) totalled € 33 million; at around 0.9% of revenue investments were at the same level as last year.

Equity

The main changes to equity in 2006 were operating. There were no shares or bond issues in 2006.

Furthermore, no bonds relating to the outstanding subordinated convertible borrowings were offered for conversion. All the acquisitions made in 2006 were financed from current assets. In 2006 equity increased by € 102 million to a total of € 576 million on 31 December 2006. Equity increased with the € 111 million net profit and loss for 2006; in addition there was a cash dividend payment of € 13 million and a change of € 4 million due to personnel benefits (share plan and exercise of option rights).

Financing

During 2006 there were no particular shifts in the capital structure as compared with the closing balance sheet of 2005. There were no new issues in 2006 and no new conversions of the outstanding convertible bond. An amount of € 82 million was repaid on the existing loans; this amount could be met from cash flow and current credit facilities. The € 69 million bond loan issued by USG People's coordination centre in Belgium was settled on the due date, 11 September 2006. Furthermore, in line with the repayment schedule the first annual repayment of € 13 million was made on the subordinated private loan. On 31 December 2006 the net debt position totalled € 611 million compared with € 679 million at the end of 2005. The current € 700 million bank facility with 4 years remaining was continued unchanged.

| Capital structure | 2006 | 2005 |
|-------------------------------|------|------|
| Equity | 576 | 474 |
| Subordinated convertible bond | 93 | 91 |
| Subordinated private loan | 88 | 100 |
| Net debt to banks | 430 | 419 |
| Bond USG People International | | 69 |

Provisions

In 2006 provisions declined from € 38 to € 27 million. The biggest change occurred in reorganisation provisions. These provisions for the reorganisation and integration of Start and Solvus reduced by € 15 million from € 28 million at the end of 2005 to € 13 million at the end of 2006. € 8 million of this € 15 million was devoted to the integration of the old components of Solvus and € 7 million to the integration of Start. The other provisions mainly concern a pension provision and a provision for legal claims.

Dividend

The multi-annual dividend policy assumed a dividend payout of one-third of net income before amortisation taking into account the effects of taxation. Net income amounted to € 111 million after tax including a net amount of € 25 million for amortisation. The dividend can be calculated as one-third of € 136 million or € 45 million. Hence, based on the 63 million issued shares the dividend amounts to € 0.72 per share.

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Operating overview and market developments

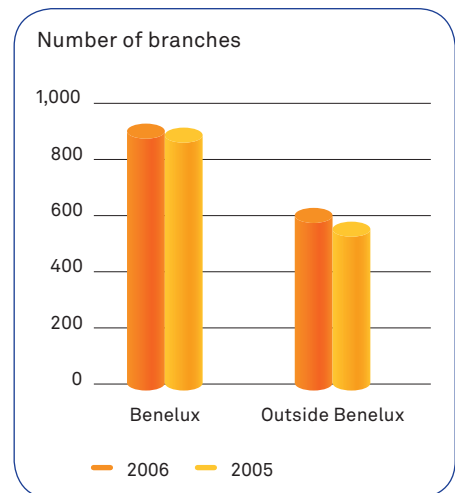
Following the expansion of the group in 2005 with the acquisition of Solvus, the report year brought no major changes in the geographic spread of USG People. The Czech Republic and Slovakia were added as new growth regions to the group's working area in 2006. Start's former Eastern European activities, which had become independent with a management buy out, were bought back by USG People in September. This transaction expanded the group's operating territory to 13 countries. Our current markets are divided into mature and growth sections. Mature markets have a higher level of penetration than the growth markets and development is strongly dependent on the economic climate. The development of growth regions is more dependent on social acceptance and liberalisation of legislation and regulation around flexible employment; in these countries growth and profitability are less vulnerable to the economic cycle.

In 2006 the main focus was on autonomous growth, integration and enhancing profitability in all geographic areas. Previous components of the former USG and former Solvus were integrated in all countries. This also involved merging back offices and head office activities while a start was made with relabelling the various activities. The specialist labels Secretary Plus and USG Innativ were successfully launched in France in 2006.

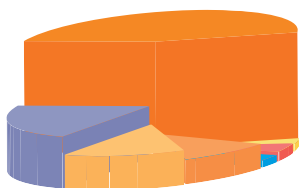
In 2006 the branch network was increased to 1,496 branches. The number of in-house branches was increased in the Benelux area. Outside the Benelux a total of 45 branches were added to the network.

New branches were opened in Spain, France and Poland and in the Czech Republic and Slovakia and an additional 21 were added to the existing Central European network. Policy around national coverage in the Benelux area aims for further growth from existing locations. Meanwhile, networks were further expanded in the growth regions and in France.

During 2006 the number of flex-personnel employed on a daily basis rose further to 160,000, an increasing part of which came from emerging countries. Meanwhile flex-personnel employed outside the Benelux rose to around 50% of the group total.



Revenue per region



- The Netherlands 45%
- Belgium and Luxemburg 21%
- France 14%
- Spain 10%
- Germany 3%
- Italy 4%
- Other countries 3%

All geographic areas developed very positively in 2006. There was strong volume growth apparent both in growth regions and mature markets. Backed by recovering economic growth, group activities in mature markets realised further growth – winning substantial market shares. The Benelux area accounted for 65% of total group revenue and France 14%. The growth regions also showed strong autonomous volume growth with Poland and Italy performing extremely well. In 2006 the growth regions represented around 21% of total revenue.

All regions booked double-digit volume growth in 2006. Benelux revenue grew by 18%. France performed exceptionally well with 14% growth compared with 6% market growth. In the growth regions Poland and Italy booked exceptional increases in revenues. Poland booked 60% growth while Italy – with no change in branch numbers – realised just over 30% growth. With the exception of Germany all regions gained market shares. Total group revenue rose by just over 18% to more than € 3.5 billion.

Revenue per region

| | 2006 | 2005 | Δ |
|----------------------------|--------------|--------------|--------------|
| The Netherlands | 1,598 | 1,337 | 19.5% |
| Belgium and Luxemburg | 747 | 652 | 14.6% |
| France | 487 | 429 | 13.5% |
| Spain | 373 | 306 | 21.8% |
| Italy | 136 | 104 | 30.5% |
| Germany | 99 | 86 | 15.2% |
| Other countries | 97 | 77 | 25.4% |
| Total group revenue | 3,537 | 2,991 | 18.3% |

Profitability improved in all countries in 2006. The EBITA for 2006, before revenues for the sale of associated companies, came to € 206 million, whereby the operating margin rose from 3.9% in 2005 to 5.8% in 2006. The second half of the year actually saw a margin in excess of 6%.

The Dutch operating margin was the highest at 9.5% of revenue, while Italy and Germany posted the strongest improvement. Meanwhile, Switzerland and Austria also posted good results. All regions booked a positive EBITA result.

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Operating margin per region

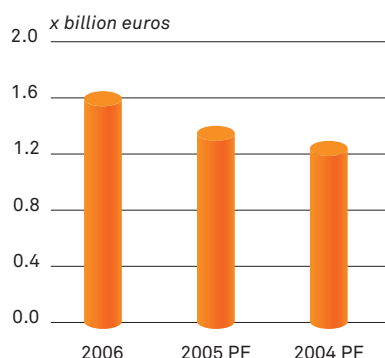
| | 2006 | 2005 | Δ PP |
|---------------------|------|-------|------|
| The Netherlands | 9.5% | 7.1% | 2.4 |
| Belgium / Luxemburg | 7.8% | 6.6% | 1.2 |
| France | 1.8% | 1.1% | 0.7 |
| Spain | 2.2% | 1.2% | 1.0 |
| Italy | 4.2% | 0.3% | 3.9 |
| Germany | 1.2% | -2.0% | 3.2 |
| Other countries | 1.0% | -2.0% | 3.0 |
| Total group revenue | 5.8% | 3.9% | 1.9 |

The Netherlands

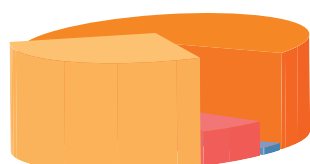
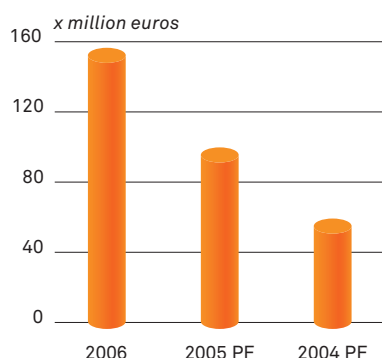
USG People sold its training activities in the first quarter of 2006. In line with the increased focus on the core activity of full-service provider for flexible employment and HR Services, Buro Transport Opleidingen and Luzac were sold to management, via buyouts.

The training activities not relating to the employment market no longer formed part of the group's core activities and hence no longer matched with the portfolio. The Utrechtse Juristen Groep (UJG) was added to the Professionals portfolio in June. The UJG organisation developed into a specialist in placing lawyers on a project basis and has a dominant position with the Dutch legal segment.

Revenue Netherlands



EBITA Netherlands



- General Staffing 39%
- Specialist Staffing 44%
- Professionals 14%
- Special Services 3%

In 2006 USG People outperformed the market and further increased its market share to confirm its second place in the Dutch market. Revenue volume in 2006 grew by 20% in the domestic market. A strong contribution came from Office and Technical activities.

Start People outperformed the market helped by a strong increase in demand from major volume clients; this also meant massive growth for in-house activities. The number of in-house locations doubled in 2006.

Start People Transport and Logistics was very successful in 2006 thanks to increased demand from major clients and an effective response to market forces around regional transportation.

In the specialist segment Content and Creyf's were strong outperformers on the market. Content, which provides specialist profiles, mainly for the large client segment, was very successful in 2006 with the development of internet recruiting; some 70% of candidates are currently recruited this way. Meanwhile, Content's new house style and marketing campaigns were based on large-scale lifestyle studies of its own flex-employees.

A nationwide poll of clients put Creyf's among the top three of Dutch temporary employment agencies. In 2006 Creyf's posted extraordinarily strong growth in the Small to Medium Enterprise Segment. Creyf's temporary employment agencies for students took on the new name of ASA Studentenuitzendbureau. This national market leader was restyled and took on a fully personalised identity.

Unique also saw strong recovery in revenue growth, mainly due to increased activity in the small and medium enterprise segment. Unique also reinforced the candidate focus with more active recruitments and securing of candidates and personnel. During the Dutch National Flex-debate the intermediary of the year award for 2006 went to a Unique staffer.

In the specialist segment USG People is market leader for technical profiles and higher-trained secretaries. The combination comprising the labels Innovativ, UTS, Beaver and ICT Solutions to be merged as from early 2007, is the biggest player on the Dutch market for technical profiles. All sections of the new combination outperformed the market in 2006.

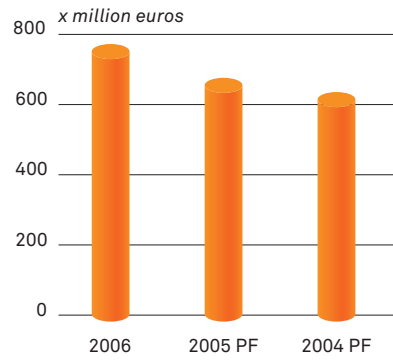
Secretary Plus and Starjob are joint market leaders in the higher-trained management assistant segment. The secondment activities under the sub-labels Secretary Plus Direct Team and StarTeam performed exceptionally well in 2006. The acquisition of Solvus enabled the specialist labels to benefit more from the spin-off effects of the large volume players. In this context USG People's full-service concept maximised synergetic benefits.

Belgium and Luxemburg

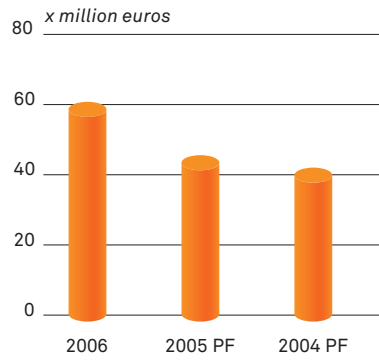
As in The Netherlands, USG People ranks second in the Belgian temporary staffing sector. There were no changes in the Belgian portfolio during 2006 so that volume growth was fully autonomous. As part of integration and relabelling, the back offices of the former USG operating companies were relocated from Vilvoorde to the Shared Service Center of the former Solvus in Antwerp. The Receptel and United Communications labels were merged under the brand name Unique Receptel which is market leader in reception services. The Creyf's brand will be re-labelled as Start People in 2007.

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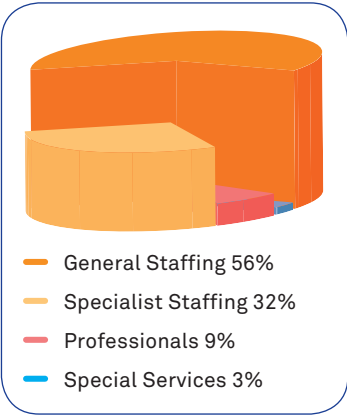
Revenue Belgium and Luxemburg



EBITA Belgium and Luxemburg



In 2006 the Belgian flex market grew by 14%, while the activities of USG People posted a 15% volume increase. The General Staffing segment, which contributes 56% to group revenue in Belgium, grew by 16%. The one-stop-shopping concept provided by generalist label Creyf's offers flexible solutions for large volume clients and the small and medium enterprise sector. Although Creyf's is traditionally strong in the industrial segment, performance in 2006 was very good in the Office and Services sectors ('service-cheques'); this outperformed market growth. An older-persons' plan was launched by Creyf's in 2006. This responds to demographic developments, with the ageing population and resulting scarcity and friction in the employment market. The plan was very well received by candidates and clients alike.



The specialist services, Specialist Staffing, Professionals and Special Services, posted 13% growth in total and contributed € 323 million to revenue. Within the Specialist Staffing segment Unique was able to realise a substantial revenue growth again in 2006, after a decrease in volume in 2005. Unique is strongly represented in the small and medium enterprise sector, which gained from the continuing economic growth. Unique Finance performed exceptionally well, as did the specialist label Financial Forces, which experienced a growth of 55%.

In Belgium temporary employment is also increasingly a means to recruit regular personnel. Unique optimally benefited from this in 2006 by providing extra commercial training staff in this area. This enabled many specialised flex personnel to move on into a regular job; this evidences our function as specialist mediator in the employment market. During the last quarter Unique Interim was relabelled as the international Unique brand. At the same time a total restyling transformed the look of all branches. The restyling was supported with a large-scale billboard campaign, and the Unique website was adjusted accordingly. Once again in 2006 Unique as an employer distinguished itself for high quality personnel policy. For the fourth consecutive year the HRM Centre of the Vlerick Management School selected Unique as Belgium's best employer.

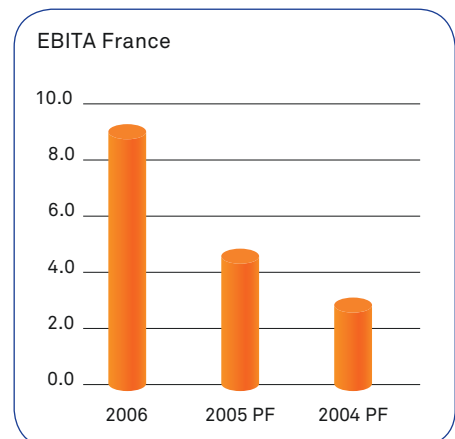
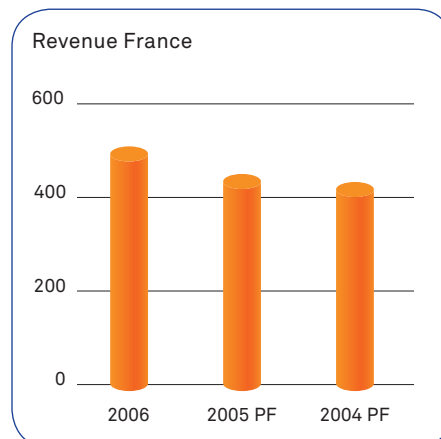
The specialist operation Express Medical confirmed its market leadership. Express Medical realised its first in-house branch in a hospital network during 2006. This represented a “first” in Belgium, with Express Medical taking on full management of replacement of hospital personnel. Express Medical specialises in selection and recruitment of medical and para-medical personnel. Thanks to close contact with hospitals, old people’s homes, nursing homes and home-care organisations, the organisation has a good overview of current developments and needs in and around medical organisations and care institutions. The new Express Pharma division is growing strongly and has secured a position in the specialised pharmaceutical industry as a recruitment and secondment bureau.

Secretary Plus, which is market leader in the segment of higher-educated management assistants, posted just over 21% growth in 2006. Secretary Plus’s secondment arm, Direct Team, realised very strong growth in 2006.

In the Professionals segment the activities of Innotiv and United Technical Solutions were merged in 2006 under the USG Innotiv label. The complementary service offering of United Technical Solutions and Innotiv presents solutions for all issues around engineering. The merger of these two specialists means the best of both worlds. Together, Beaver IT Services and USG Innotiv form a strong combination of technical professionals on the Belgian market. In 2006 the combination posted 18% revenue growth.

France

Alongside the Benelux area, France is among the most mature staffing markets in continental Europe, where the current offering mainly comprises general staffing services. USG People has major opportunities in specialist services and recruitment and selection. Seven new branches were opened in 2006; two of these were new locations in Paris and Lille for the international label Secretary Plus. The launch of Secretary Plus, which is already represented in The Netherlands, Belgium and Germany, was most successful. Two specialist



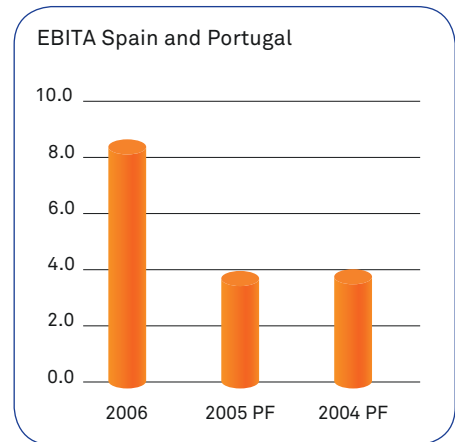
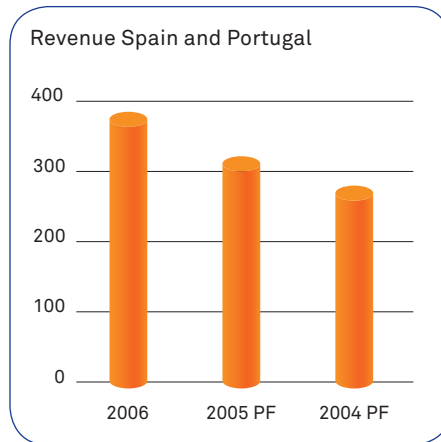
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branches for the Financial Forces label had been opened during the previous year. The specialist activities showed very fast growth during the first year.

In terms of volume, with total group revenue of € 487 million, France ranks as the third country in USG People. Revenue growth in 2006 came to 14%, amply outperforming compared with market growth of around 6%.

Spain and Portugal

Spain's economy is dominated by the service sector which accounts for two-thirds of the gross domestic product. The sector grew some 3.5% compared with industry and agriculture with a total slightly over 2%. In 2006 the staffing market grew by around 8%. In terms of size USG People ranks as the third player in the Spanish market, offering specialist services alongside general staffing. A major relabelling operation was carried out in 2006. General staffing labels were combined and renamed as Start People. Eight branches of the former Creyf's, which focus on specialist services, were added on to the Unique network. Meanwhile, a total of nine new branches were opened.



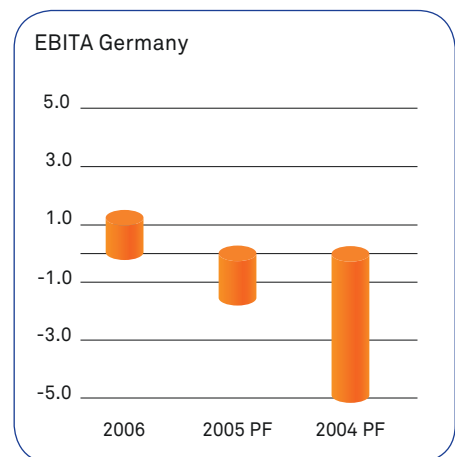
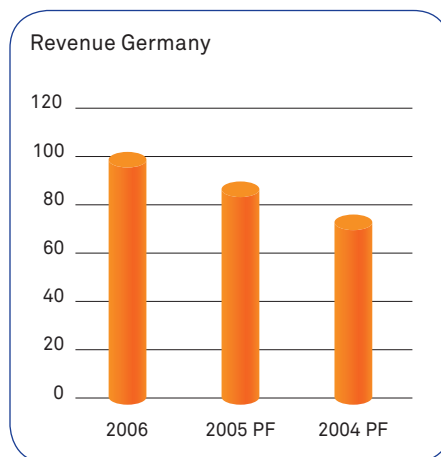
In 2006 USG People in Spain posted revenue of € 373 million realising 22% growth on 2005. Start People booked 19% revenue growth. With a contribution of € 295 million General Staffing activities make up 79% of total volume in Spain. Services in the pharmaceutical industry and logistics sector grew strongly in 2006.

The specialist labels Unique and SYS jointly contributed € 78 million, realising 36% growth. Unique's network was expanded with nine branches; this included eight existing branches taken over from Creyf's. SYS opened two branches in Zaragoza and Las Palmas (Gran Canaria).

Germany

The year 2006 brought far-reaching consolidation of the fragmented temping market in Germany. There is an increasing tendency for larger international players to acquire local temping companies. Germany has more than 4,700 service providers in the field of flex personnel, recruitment and selection. Germany, with its working population of 43 million has the lowest penetration (less than 1%) level for temporary employment in Western Europe; however this figure is expected to move towards the European average during the next several years. This means that the flex work market could double in the years ahead and explains the attractive growth prospects for the region. Market growth in 2006 was 19% and a cautious estimate for the next several years puts the growth figure at at least 15%.

Annual revenue for USG People in Germany totalled some € 100 million. Growth stood a 15% whereby there was strong performance in the last quarter with 23% growth. The lower than market growth was largely due to the loss of revenue from a large client which relocated its production facilities. The main focus in 2006 was on autonomous growth and enhancing profitability. No new branches were opened. In line with a previously stated expectation Germany posted a positive EBITA result for the first time in years.



The general temping activities under the Creyf's label posted 15% revenue growth. The general segment realised 72% of revenue. Creyf's lost revenue in 2006 due to the relocation of production facilities by a major client. Not counting this loss growth would have been just over 32%.

Specialist services provided by Unique and Secretary Plus made a 28% contribution to total revenue. The specialist segment, which is strongly represented in the small and medium enterprise sector, posted just over 16% growth. Unique Personal changed its name to Unique in 2006, USG People's international specialist label. The restyling of branches and the website was

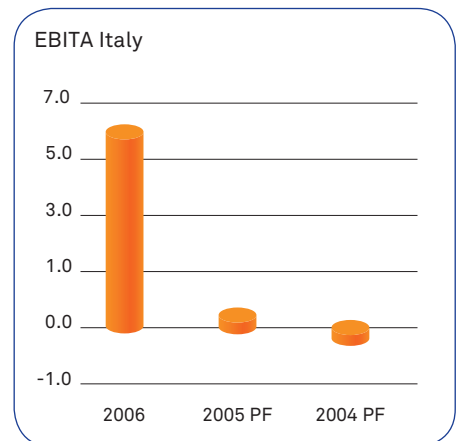
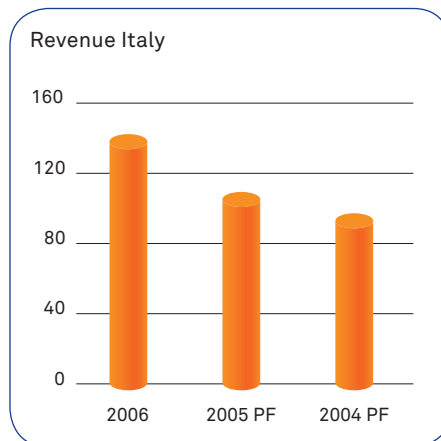
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almost completed in 2006, while the major marketing campaign “Ganz Unique” was started up during the last quarter. Unique grew strongly in the office segment and with technicians in the engineering and electronics industries.

The back-office activities of Creyf’s, Unique and Secretary Plus were merged in 2006 as a Shared Service Center (SSC). This centralised SSC has been operational in Munich since 1 March.

Italy

For Italy 2006 was dominated by the combination and integration of the former Solvus and USG activities. The combination of the Shared Service Centers in Milan was successfully completed in the first quarter and in September the Creyf’s and Start labels were positioned under the name Start People. At the same time the front office organisational structure was renewed while several branches moved to more effective locations. There was no net change in numbers of branches or personnel. Against this background of internal restructuring there was excellent performance with strong autonomous growth. Revenue volume rose by almost one third in 2006 to € 136 million (2005: € 104 million) compared with market growth of slightly over 15%. Thorough knowledge of the local market and a high-quality service offering represent the firm base by which USG People stands out in the fast growing Italian flex market. Over the next several years the market share could further increase with strong penetration of USG People’s regional markets in Northern and Central Italy. On completion of the current restructuring and restyling the focus will shift to expanding the branch network and launching specialist activities. With a penetration level below 1% Italy is among USG People’s prime growth markets.



Switzerland, Austria, Poland, Czech Republic and Slovakia

In 2006 these five countries posted joint revenue of almost € 100 million representing nearly 3% of group revenue. All revenue is realised in general staffing. The offering in these countries does not include specialist services. In 2006 the region as a whole posted a positive EBITA result of € 1 million compared with a € 1.6 million loss in 2005. The improved result was mainly due to higher profitability in Switzerland and Austria.

The Swiss market grew by 15% in 2006 with an estimated 1.1% level of penetration at the end of the year. To date USG People has mainly focused on the industrial segment in German-speaking Switzerland, but 2006 saw the opening of the first branch in French-speaking Neuchâtel. Performance outstripped the market with 23% revenue growth.

The Austrian market grew by 5.8% with an approximate 1.5% level of penetration. There was slight decline in revenue compared with 2005 due to the loss of a major volume client. In contrast, the result improved strongly and was converted from a loss to a profit situation. The EBITA improved by around € 1.5 million. During the course of the year there was a net closure of a single branch and the revenue decline at the start of the year was converted into a strong revenue increase in the last quarter.

In Central Europe, Poland – a growth market – performed extremely well. In 2006 this young market realised no less than 45% growth. Creyf's, which ranks number four in Poland posted revenue growth of 60%, with a positive result. Creyf's market share is 6.1% with Poland's still very low level of penetration at 0.3%. Nine branches were opened. Volume is the primary focus in this fast growing market. In-house activities are growing strongly and this enables us to optimally serve the needs of our often international clients.

Effective October the activities in the Czech Republic and Slovakia were added to the group. These former Start activities were bought back by USG People in view of the attractive growth prospects in these markets. The added value of these regions lies in the fact that services can be provided locally to major international accounts.

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Risk paragraph

This paragraph describes risk factors that may have a material influence on the business of USG People in a general sense, on the operating results, the financial results, prospects, and the actual outcome of forward-oriented statements in this annual report. We differentiate risks relating to our strategy and external factors, commercial operations and risks relating to financing and reporting. In addition we account for the control framework, control measures, the manner of assessing risks, information and communication, and monitoring.

The risk factors as presented have been discussed with the Supervisory Board and the audit committee.

It cannot be ruled out that in due course this summary will prove incomplete. There may be additional risks of which we are currently unaware, or risks which are still classified as intangible but which may, in due course, with changed circumstances, have a substantive effect.

Strategic risks and external factors

- In order to realise its strategic and financial objectives and to stay competitive, USG People must meaningfully respond to changes in markets where it is active as well as to (changing) demands from clients and to competitors' market propositions. At USG People this is ensured via a de-central organisational structure, an entrepreneurial culture and a multi-brand strategy. This enables us to respond fast to market trends, activities by competitors and shifts in client needs.
- USG People's results are largely dependent on cyclical demand. The call for employment market services is largely influenced by the economic situation in the countries where we are based. USG People seeks to limit this cyclical vulnerability with a geographic spread across markets with varying economic dynamics and by focusing on less cyclically vulnerable market segments. We also seek to increase the revenue contribution from the less cyclically vulnerable specialist segment vis-à-vis general staffing which is strongly cyclical.
- Adjustments to existing legislation and regulation in the various countries where we are located may lead to prohibition or limitation on the provision of certain employment market services within our offering, or the imposition of additional requirements in the areas of licensing and taxation. In both cases this can have an unforeseen effect on the activities and results of USG People.
- A possible increase in contributions for unemployment and employee insurance for flex workers on the payroll of USG People could pressure the margin. Particularly in a period of declining demand for employment market services it would not be feasible to compensate any such cost increase with equivalent price increases.

- For USG People the market development partly depends on the level of social acceptance for temporary employment and secondment work in the countries where we are located. This applies particularly in countries where deployment of flexible personnel is in a very early stage of development.

Risks related to operating activities

- In view of the complexity of the major differences in legislation and regulations in the various countries where we are located, there is a possibility that USG People may not introduce the changes fully or in good time. The possible liabilities resulting may have a negative impact on the income statement. To reduce the likelihood of this USG People operates stringent guidelines; among other things these require training for personnel in local legislation and regulations and that management must make careful, regular checks on compliance with related procedures. Furthermore, the administrative systems contain a function enabling adequate controls on changes in parameter settings. External advisors pro-actively monitor the quality and content of procedures, in addition to compliance.
- Faults in programs of automation systems, failure and violation of the information systems in use and interruptions or loss of processing capacity for information flows may negatively influence the continuity of USG People. A back-up and recovery system is in place to ensure protection against this and limit or prevent the loss of data, as well as redundancy in networks and systems, and fall-back contracts. In addition safety systems have been installed, including firewalls, intrusion detection and virus software. During the year under review a company-wide project was started to enhance anticipation of possible future threats to technical infrastructure. This architecture has been phased in and will be fully operationally in mid-2008.
- USG People may be subject to tax claims due to not having fully having met obligations under the Identification (Financial Services) Act (WID). Under the WID employers are responsible for the correct identification of employees when entering into contract of employment. As a precaution an extensive set of control measures has been set-up.
- USG People runs the risk that clients submit claims in the event that mistakes and omissions by personnel and flex personnel, abuse of internal client information, fraudulent dealings, incorrect payment of taxes and premiums, employment of illegal immigrants, theft of client's property and other comparable forms of irregular or criminal dealings. There is a broad spectrum of guidelines to which everyone connected with the organisation is obliged to comply, as well as a comprehensive insurance programme. During the year under review external advisors carried out a comprehensive study of the various risks and the levels of cover agreed for these. The improvements brought to light will be implemented in 2007.
- The continuity of USG People is very largely dependent on the company's ability to attract qualified personnel and flex workers, and to train and retain them. To this end USG People deploys a variety of tools for recruitment and selection to support the sourcing channel. With an eye to attracting

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and retaining personnel USG People's approach includes competitive salary levels, development programmes and adequate promotion opportunities.

- It may not be feasible for USG People to realise the estimated synergetic benefits of an acquisition. Partly based on the knowledge and experience of the integration of Start a range of measures will be taken to actually ensure objectives as formulated and to limit integration risks.
- USG People may experience problems or be prevented in registering and using one or more brand names in a given country where we are located. To this end our policy is to register all intellectual property rights with cover for the entire euro zone.
- There is a risk that USG People may not be able to pay all flex workers and to invoice clients correctly and in good time. To this end a comprehensive set of control measures have been developed for the invoicing and salary processes.

Finance and reporting risks

- The debt burden of USG People may have a negative influence on the continuity of the company. Under an agreement with the banks USG People has undertaken not to exceed a given level of debt. On closure of the financial year the company amply meets this. A breach of this agreement could – under the terms of the agreement – give the capital providers the right to require the accelerated settlement of debts.
- USG People runs financial risks around collection of receivables. Collection risks are insured in most countries where we are located, the exceptions being Italy, Austria, Switzerland and Poland where local legislation on bad debts is considered to provide adequate security. Notwithstanding, at the end of 2006 it was decided to enter into a uniform credit insurance for all operating companies and all countries where we are located. This contract came into force on 1 January 2007.
- Interest fluctuations can impact on the net income of USG People. Interest bearing debt has been agreed at both fixed and variable rates whereby changes in interest rates can impact on the level of interest payments. An important part of the interest risk is hedged with derivative instruments.
- USG People is not able to fully control the creation of shareholder value. The number of external factors that influence the development of the market price is such that they are only subject to indirect influence. In contrast valuation of the share (favourably or not) does have a direct effect on the growth strategy to be marked out. For example a low market price can mean limits on possibilities for acquisition as payment in shares becomes less attractive; in turn this means that high-quality candidates for acquisition remain out of the picture. Self evidently, the reverse scenario is also possible.
- Mandatory impairment of goodwill can lead to the adjustment of the profit/loss of USG People. In the context of IFRS there is an annual test to determine if the goodwill as calculated matches with the estimate made in advance, for each cash generating unit; furthermore the test looks at other circumstances requiring an adjustment to the value. Any such adjustment is calculated via

the income statement, and hence directly affects the operating profit/loss.

- There is a possibility that USG People will not be able to realise the outstanding tax deferral. This amount can only be collected if sufficient taxable income is generated in the future.
- In order to prevent shortfalls in cash and cash equivalents USG People is dependent on the timing and size of in- and outgoing cash flows. In that seasonal factors play a disproportionately large role in the development of supply and demand in the employment markets, the need for working capital varies strongly within the group. This effect is further reinforced in that flex personnel are paid on a weekly basis whereas clients operate on 30 to 60 day payment periods. If shortfalls in cash and cash equivalents do indeed occur, USG People can use the credit facilities with its company banks.
- For a publicly listed company like USG People, reliable accounting and external financial reporting are mandatory. To this end we have set up a wide and balanced internal control system (see under the heading: Internal control systems). In addition, in mid-2006 a project was started up aimed at describing risk and control frameworks for significant balance sheet items and critical operations. This is designed to be a contribution to a uniform, systematic and structured financial accounting system. The project currently focuses on a number of large operating companies in Belgium and The Netherlands and in 2007 will be extended into other countries where we are located.

Internal risk management and control systems

Within USG People the Executive Board and the Board of Management have responsibility for the framework of internal risk management and control systems. The basis lies in the COSO Enterprise Risk Management-integrated framework. This is a broad approach to internal controls whereby organisational objectives and risks are taken as the point of departure. In this way USG People seeks a reasonable degree of certainty that organisational objectives will be achieved and that continuity will be ensured. As the company's supervisors the Supervisory Board and the audit committee are regularly informed on the level of management of the internal risk management and control systems at USG People.

Internal risk management and control systems aim to:

- ensure limitation of strategic risks, risks to strategic objectives
- ensure effective and efficient operations
- ensure compliance with relevant legislation and regulations, as well as the internal guidelines and standards of USG People
- ensure reliable accounting and financial reporting



Report of the Executive Board

The Executive Board is aware that no matter how extensive the risk management and control systems these cannot provide absolute certainty that the operational objectives will be realised, or that these systems can totally prevent all material inaccuracies, loss, fraud and breaching of laws and regulations.

USG People has an extensive structure of risk management and internal control systems and has formulated additional supplementary group policy and policy framework. There are five elements in USG People's framework of internal risk management and control systems: the control framework, risk assessment, management/control measures, and ways of informing, communicating and monitoring.

1 Control framework

The control framework of USG People reflects the composition, awareness and dealings of the Board of Management and other responsible layers of management in regard to the importance of internal controls within USG People. This ensures management's emphasis on internal controls within the policy guidelines, procedures, methods and organisational structure.

Management structure

The daily management of USG People is in the hands of the Board of Management. Its members report directly to the Executive Board. The two bodies meet together twice a month. This structure ensures good control on complex decision-making and operating processes. Long experience means that all members can recognise threats and chances across a broad front – and solve these or capitalise on them.

In all countries where USG People is active with several labels, the administrative activities and ICT support are centralised in a Shared Service Center (SSC). The director of the SSC reports directly to the director with final responsibility for the region and ultimately has a functional line to the CFO. This management structure enables implementation of control-technical functional separation and internal control measures within these processes.

Management regulations and authorisations of operating companies

The management of operating companies is subject to the clear limitations in regard to authority to represent. Decisions in regard to dealings regarding operational, legal and financial matters are set out in the management regulations. Projects and contracts with a value or risk exceeding given amounts must be sanctioned by responsible members of the Board of Management, or the responsible member of the Executive Board. Procedures have also been developed to ensure financial and legal checks.

Code of conduct

The code of conduct sets out the manner in which personnel and flex employees of USG People are expected to work together. The code sets out the key values of business principles and ethical rules of USG People. Guidelines set out in the ethical context how employees should deal with situations involving, for example, a conflict of interests, confidential information or the acceptance of gifts or favours. Employees of USG People are required to act in accordance with the code of conduct and to report any breaches via the whistleblowers regulation. The code of conduct is published on the website of USG People.

Whistleblowing regulations

Whistleblowing ensures that any supposed misconduct within USG People can be notified without the person who makes the report suffering negative consequences.

Reported misconduct may relate 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.

Human resources policy and related guidelines

Within this group-wide policy standards and procedures for recruiting (regular and flex employees), training, motivation, evaluation, promotion, remuneration, transfers and dismissal of personnel apply to all function areas.

In 2006 the Executive Board commissioned external consultants to assess the effectiveness and cohesion of the current organisation-wide guidelines and to arrive at a uniform set of corporate guidelines. These guidelines are expected in early 2007 when they will be communicated to the operating companies.

Model code and tracking compliance program

The Model code and the tracking compliance program ensure that senior management in key positions is prevented from dealing in securities on the basis of confidential information. The Model Code of USG People N.V. comprises regulations regarding securities transactions in the company itself and applies to members of the Supervisory Board, the Executive Board, and the Board of Management, as well as for Corporate Vice Presidents, senior management of large operating companies and corporate staffers. Moreover, the Peer Group, i.e. members of the Supervisory Board, Executive Board and Corporate Vice Presidents, are subject to prior reporting requirements for trading in securities of direct competitors. Under the prior reporting requirements trading in securities of direct competitors is permitted on condition that prior permission is obtained from the Corporate Vice President Legal of USG People N.V. who is acting as compliance officer.

Report of the Executive Board

2 Risk assessment

Within USG People risk assessment is taken to be the identification and analysis of relevant risks (both internal and external) which form a threat to realisation of organisational objectives.

At the end of 2006 the risk management model was rolled out in operating companies in The Netherlands, Belgium, France and Spain. During the first quarter of 2007 the most important risks posing a threat to realisation of organisation objectives in 2007 will be consolidated. During the current financial year a system of uniform risk reporting will be integrated within the existing planning and control cycle.

3 Control measures

The control measures are the supporting guidelines and procedures which support the responsible management of USG People in implementing policy. USG People has implemented a comprehensive and balanced set of control measures to deal with identified process risks.

Several process-wide control measures are built into the critical processes and systems of USG People in order to ensure internal controls. These include relational checks and adequate control-technical function separation between decisive, registering and protective functions. This also covers the demonstrable recording and maintaining of authorisations for personnel in important processes, as well as regular recording that system authorisation (including authorisations) and access to the systems, in accordance with the actual (established) competencies and authorisation.

In 2006 USG People set up an accounting manual that is applicable to all operating companies of USG People. This manual fully complies with IFRS reporting rules and contains detailed guidelines on financial reporting, and for drafting of procedures to be followed.

4 Information and communication

Information and communication systems support the identification, recording and exchanging of information in the form and time frame that enables management and other personnel to meet their responsibilities.

The personnel salary, revenue and financial administrations in all countries are supported by information systems. The financial administrations are linked to the corporate consolidation system where external reporting is prepared. Information systems, system interfaces and the central consolidation system make an important contribution to reliable and timely external financial reporting.

The operating companies of USG People in any given country use the same commercial management information system. This is used to follow

marketeeing activities at various levels of the branches structures.

Expert IT personnel together with a meaningful and controlled modification control on information systems and parameter settings are important conditions for the correct application of local fiscal regulations and regulations regarding social insurance. They also contribute to a correct and extensive account of hours invoiced and paid. They are also important in ensuring stable information systems. This can minimise faults in programming, failures in information systems and the disruption or loss of information processing capacity.

USG People's data centres have back up and recovery systems to limit the loss of data due to fire or failures. To this end there are continuity plans and 'IT disaster recovery' plans setting out procedures and responsibilities in the event of a calamity. These plans are tested on a yearly basis.

The responsibilities and signing powers of personnel in key positions are set out in function descriptions, management regulations and regulations regarding signing powers.

USG People runs internal business courses. The various courses and information gatherings devote considerable attention to relevant legislation and regulations focusing on the specific activities of the operating companies. In addition USG People and the operating companies have a number of (written) resources including internal memos, personnel magazines, intranet and internet.

5 Monitoring

Monitoring is a process of regularly assessing the (adequacy of the) quality of internal controls and their operational effectiveness. Checks are made by means of continual monitoring and regular assessment.

Planning and control

USG People has an extensive business planning and control process to enable evaluation of financial and non-financial performances at any given moment. Strategic plans are set up per operating company and converted into budgets. There are weekly reports on commercial indicators. Responsible regional management checks commercial and financial monthly reports on plans in consultation with management of the operating companies. The responsible regional officers explain their findings and analyses in reports to the Executive Board.

Letter of Representation (LOR)

USG People operates a cascade system of Letters of Representation. Every quarter the General and financial directors of the operating companies sign a declaration stating, among other things, in confirmation of the correct-



Report of the Executive Board

ness and completeness of the financial reporting as presented, and of the correct application of the code of conduct of USG People. The next to sign are the general and financial directors responsible for a region, followed by the Executive Board. The LOR applies to all operating companies of USG People. Any findings from the LORs are reported to the Executive Board and discussed with the audit committee.

Company-wide evaluation of control measures

In November 2006 an evaluation was conducted on the effectiveness of company-wide control measures of the framework of internal risk management and control systems. Points for improvement will be followed up in 2007.

USG People conducts an annual evaluation to enhance awareness of the importance of good internal control and to continually improve the internal control system.

Group Control department

Assessments by the Group Control department ensure the maintenance and improvement of the integrity and effectiveness of internal control systems at USG People. Group Control monitors the internal control measures at USG People and provides the Executive Board and Board of Management with certainty as to the reliability of financial reporting and compliance with relevant legislation and regulations around the effectiveness and efficiency of business activities. The Group Control department is directly responsible to the CFO.

In 2007 activities involving the various internal control systems will be moved to the Internal Audit department and will come under the direct responsibility of the CEO. USG People is expected to appoint a Corporate Director Internal Audit in 2007, who will be tasked with giving further substance to the department. The CD internal audit has a functional line of responsibility to the audit committee.

External auditor

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 internal risk management and control systems.

Audit committee

The audit committee comprises three members of the Supervisory Board and its responsibilities include auditing and evaluating USG People's financial reporting process and the evaluation of the internal risk management and control environment. The committee informs the Supervisory Board on its findings.

The regulations of the audit committee were established on 31 August 2006 by the Supervisory Board and published on the website of USG People.

Evaluation declaration on risk management and internal controls

In the opinion of the Executive Board of USG People the risk management and risk control measures as set out above provide a reasonable level of certainty whereby there are no material inaccuracies in the financial reporting. The Executive Board is also of the opinion that the risk management and control systems in regard to risks to financial reporting during the financial year have worked properly and that there are no indications that they will not work correctly during the current year. No shortcomings were identified during the financial year under review or the current financial year which could exert a material impact on financial reporting.

A number of major changes were made to the systems during the year under review in order to enhance internal controls. The members of the audit committee met three times during 2006, the organisational structure was reinforced with a decentral financial function, and a uniform design was agreed for the Letter of Representations for all operating companies; a group-wide accounting manual was also completed.

The Executive Board is aware that however extensive they may be, risk management and control systems cannot offer absolute certainty that the systems can fully prevent all material mistakes, losses, fraud and breaches of the law and regulations.

The policy of the Executive Board of USG People remains focused on continual checking and improving of internal risk management and control systems in order to optimise the reliability and effectiveness of the processes and controls thereon, and where necessary to make amendments.



Report of the Executive Board

Corporate Governance

Introduction

The fact that good corporate governance is essential to the company is embedded throughout USG People. USG People is absolutely convinced of the importance of integrity, transparency and clear, timely communication for the credibility of the company. USG People's corporate governance structure ensures the place of these standards and values in the company.

The major changes prompted by the acquisition of Solvus in 2005 were further detailed and established in 2006. The appointment and reappointment of members of the Supervisory Board and Executive Board were submitted to the shareholders on 9 May 2006. The company has concentrated on the integration of the two companies and the further reinforcement of market positions. Integration was carried out at all levels of the organisation; some operating companies were merged, the back offices of the former Solvus and USG companies were integrated. In the meantime there were also exchanges at local management level and we closely examined ways to better anchor corporate governance in the organisation. Self evidently this did not only apply to the Dutch operating companies, but also to operating companies in all countries where USG People is active. For instance, as one of the spearheads of this integration a new uniform authorisation system was put in operation for the directors of operating companies at home and abroad.

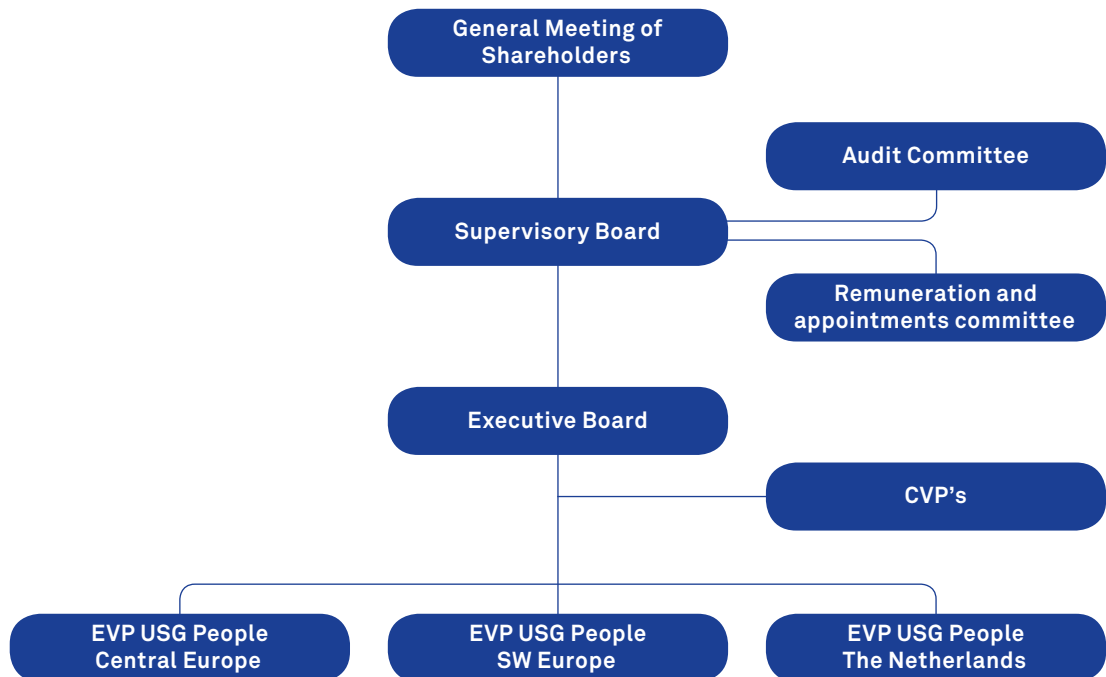
USG People further enhanced its corporate governance in 2006. All changes in this structure and all changes in compliance with 'The Netherlands corporate governance code' (hereafter 'the Code'), will be submitted for discussion to the General Meeting of Shareholders as separate agenda points. The General Meeting of Shareholders on 9 May 2006 had already taken a close look at USG People's renewed corporate governance structure.

Structure

USG People has a two-tier management structure comprising the Supervisory Board and the Executive Board. The members of the Supervisory Board do not have an executive role and are not involved in day-to-day matters. In contrast the members of the Executive Board are tasked with executive matters and day-to-day management. Each of the two management organs has its own responsibilities and is dedicated to the general interest of the company. In reaching the various considerations and decisions account is taken of the interests of all involved, including shareholders and employees. They are required to comply with the rules as set out in the separate regulations of the above-mentioned organs.

One way of optimising the corporate governance structure has proved to be the way the company is actually managed. As an example, during the financial

year 2006 separate internal committees were set up within the Supervisory Board and the membership of the Executive Board was reduced from two to three. The Executive Vice Presidents together with the Executive Board form the day-to-day management, also referred to as the Board of Management. The three Executive Vice Presidents run the three regions (Central Europe, South-West Europe and The Netherlands). In addition to the Executive Vice Presidents there are three Corporate Vice Presidents; these are tasked with the professional sectors Legal & M&A, HR en Corporate Affairs. The Executive Board, the Executive Vice Presidents and the Corporate Vice Presidents together form the Executive Committee and are tasked with the general management of the company. The organisational structure is set out in the chart below:



Report of the Executive Board

General Meeting of Shareholders

The shareholders of USG People N.V. exercise their rights by means of the annual and the extraordinary General Meeting of Shareholders. All shareholders with voting rights are entitled to attend the General Meeting of Shareholders, to speak and to exercise voting rights. USG People only has ordinary shares. Decisions are reached by an outright majority of votes unless the law or the articles of association of the company expressly require a larger majority.

During the Annual General Meeting of Shareholders the following issues are in any event dealt with in the context of corporate governance: (re) appointment or dismissal of members of the Board, discharge of members of the Executive Board and the Supervisory Board, remuneration policy for the Executive Board and the Supervisory Board, taking of a dividend decision and the (re) appointment of the external auditor. The most recent annual General Meeting of Shareholders was held on 9 May 2006.

Extraordinary General Meetings of Shareholders may be summoned at any time by the Supervisory Board or the Executive Board. An Extraordinary General Meeting of Shareholders summoned by the Supervisory Board and the Executive Board was held in 2006 in regard to the share split in the ratio of 1:2. The proposal was approved by the shareholders on 3 October 2006. The articles of association of the company were duly altered on 13 October 2006 in line with the proposal as approved.

All shareholders and other parties in the financial market receive simultaneous information which is of importance to shareholders. This information is also simultaneously available via the company website. There is a webcast briefing on the quarterly figures for interested parties. Analysts meetings can be followed by webcasts and are accessible for shareholders.

During the course of 2006 USG People carried out in-depth studies into current potential for remote voting. Self evidently this took account of Dutch Act on electronic communications which came into force on 1 January 2007. This act of parliament envisages the promotion of, for example, internet and email for General Meetings of Shareholders. Although this legislation has made it easier to use electronic means of communication, USG People takes the view that current providers which enable this type of voting offer the company insufficient benefits. USG People's shareholders who are unable to attend the meeting can use the current power-of-attorney system and it is expected that the opportunity to vote electronically will not increase the number of votes cast – as is apparent at companies which do offer this facility. Obviously, USG People will continue to follow developments around electronic voting and will regularly review its position.

Supervisory Board

The task of the Supervisory Board is to supervise the policy and the general course of events within the company. The Supervisory Board supports the Executive Board with advice (on request and at its own initiative) in regard to these topics. The Supervisory Board regularly assesses company strategy as implemented by the Executive Board.

Areas of attention for the Supervisory Board – or one of its internal committees – include the development of financial and operating results, risks around company activities, the structure and operation of risk management and control systems, acquisition and divestments, compliance with regulations and legislation, capital structure and the financial position.

Effective 1 January 2006 up to the General Meeting of Shareholders on 9 May 2006 the Supervisory Board comprised four members, namely Messrs Cor Brakel, Joost van Heijningen Nanninga, Ms Marike van Lier Lels and Mr. Bert de Vries. During the General Meeting of Shareholders in May 2006 the composition of the Supervisory Board was altered and increased to five members. Mr. Bert de Vries stepped down as a member of the Supervisory Board. Messrs Alex Mulder and Christian Dumolin were appointed for respectively four and two years. In addition, the General Meeting of Shareholders reappointed Mr. Cor Brakel and Ms Marike van Lier Lels for respectively four and two years.

With the appointment of Mr. Alex Mulder as a member of the Supervisory Board on 9 May 2006 the Supervisory Board as a whole cannot be considered as independent in that up to this General Meeting of Shareholders Mr. Mulder had chaired the Executive Board. The other members are indeed independent in the sense of best practice stipulation III.2.2. of the Code.

Partly in view of the increase in the number of members of the Supervisory Board the Supervisory Board has taken the decision to form two internal committees, namely the Audit committee and the Remuneration and Appointments committee. Both committees are governed by the regulations created for them and report on a regular basis to the Supervisory Board.

Audit committee

The tasking of the audit committee includes monitoring of the Executive Board in regard to the operation of internal risk management and control systems, policy around fiscal planning, the financing of the Company, following the recommendations of the external auditor and relations with the external auditors. The provision of financial information for the Company is the province of the Supervisory Board as a whole. The committee comprises Mr. Christian Dumolin (chairman), Ms Marike van Lier Lels and Mr. Alex Mulder.



Report of the Executive Board

Remuneration and appointments committee

This committee, comprising Messrs Joost van Heijningen Nanninga (chairman) and Cor Brakel, makes recommendations to the General Meeting of Shareholders regarding the remuneration of members of the Executive Board and the Supervisory Board. Remuneration policy is approved by the General Meeting of Shareholders. The committee is responsible for drafting the annual remuneration report. Furthermore, the committee prepares a profile for members of the Supervisory Board and makes recommendations on appointments for membership of the Supervisory Board. The committee's tasks also include recommending members for the Executive Board.

Members of the Supervisory Board are recommended by the Supervisory Board and appointed by the General Meeting of Shareholders. The Central Works Council is duly informed of the Supervisory Board's recommendations, including the underlying reasons. Recently, this occurred on 13 February 2006. The General Meeting of Shareholders has the power to recommend persons as Supervisory directors.

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

Executive Board

The task of the Executive Board is the management of the company. Hence, the Executive Board is responsible for determining and realising objectives, for strategy and for realising the results as determined on an annual basis. To this end the board is supervised by the Supervisory Board. In addition to the tasks set out above the Executive Board is responsible for the quality and completeness of published financial reports as well as the control mechanisms, compliance with legislation and regulations and financing of the company.

The Executive Board is appointed by the Supervisory Board. Effective 1 January 2006 to 9 May 2006 the Executive Board formally comprised two members, namely Messrs Alex Mulder as chairman and Ron Icke as CEO. During this period Messrs Alain Dehaze and Rob Zandbergen occupied the respective functions of envisaged COO and envisaged CFO. Effective 9 May 2006 Mr. Alex Mulder stepped down from his function as chairman and was appointed to the Supervisory Board. As from the same date Messrs Alain Dehaze and Rob Zandbergen were appointed COO and CFO respectively. Hence, as from 9 May 2006 the Executive Board had three members. On 18 July 2006 it was announced that Mr. Alain Dehaze would relinquish his function as COO at the end of July 2006. His task – ensuring a successful integration and anchoring of the former Solvus operating companies within USG People – had been completed sooner than expected. This means that effective 1 August 2006 the Executive Board has two members, Messrs

Ron Icke (CEO) and Rob Zandbergen (CFO). USG People had this two-person Executive Board structure prior to the acquisition of Solvus, and it had shown itself to be pragmatic and constructive for a number of years.

Divergences from the Code

USG People complies with all relevant Code stipulations, with the exception of the provisions set out below. The divergences have all been discussed with and approved by the General Meeting of Shareholders on 9 May 2006, whereby USG People complies with the code.

- II.1.1.: Contrary to the Code USG People seeks to keep open the possibility of appointing members of the Executive Board for longer than four years.
- II.1.4.: In regard to the declaration of the Executive Board relating to internal risk management and control systems, USG People follows the recommendations of the Frijns committee. Hence, the Executive Board declares that the financial reporting is adequate and effective.
- II.2.3.: This provision requires that shares granted to Executive directors without financial quid pro quo must be kept for at least five years. USG People's Unique Share Plan requires that these shares must be kept for at least three years. Divergence from this provision had already been approved at the General Meeting of Shareholders on 12 May 2005.
- II.2.7.: In addition to the prescribed maximum payment equivalent to one year's salary in the event of involuntary redundancy of an Executive director, USG People considers it desirable also to retain the possibility of making a payment equivalent to the six-month period of notice. Where dismissal occurs during the first term in office whereby payment of a one-year salary would be clearly unreasonable, the person concerned would be entitled to a redundancy payment not exceeding twice one-year's salary, as per article II 2.7. of the Code.
- II.2.6. en III.7.3.: As of 1 January 2006 a regulation came into force at USG People whereby members of the Supervisory Board and the Executive Board were required to make a prior notification in regard to trading in the shares of direct competitors, (the so-called 'Peer Group'). The General Meeting of Shareholders approved this regulation on 9 May 2006. Hence, members of the Supervisory and Executive Boards are no longer required – as stated in the provisions of the Code – to report changes in their Dutch shareholdings at least once per quarter.



Report of the Executive Board

Securities transactions

Members of the Supervisory Board and the Executive Board are subject to the so-called 'Model code'. This regulation sets out the manner in which securities transactions of USG People shall occur and prohibits trading during so-called 'closed periods'. Controls on compliance with the Model code are the responsibility of the company's Compliance Officer.

Effective 1 January 2006 a new regulation came into force at USG People concerning trading in securities other than those of the company itself. This is the so-called 'Tracking Compliance Program'. The Tracking Compliance Program regulates the procedure covering transactions in securities of direct competitors, i.e. the so-called 'Peer Group'. Under these regulations the Supervisory Board and the Executive Board are required to obtain prior permission for these transactions from the Compliance Officer. Transactions in other companies do not require permission, nor is there a regular reporting requirement. The General Meeting of Shareholders gave its approval for these regulations on 9 May 2006.

Conflicting interests

Pursuant to the Code all transactions where conflicting interests of the Executive Directors or Supervisory Board play a role, conditions shall be agreed as are usual in the industry. This condition to prevent conflicting interests is also included in the regulations of the Executive Board and the Supervisory Board. In the event that such transactions have taken place they shall be published in the annual report. No transactions took place in the financial year 2006 which can be qualified as involving conflicting interests.

Risk management and control systems

The Risk Paragraph contains a detailed description of the internal risk management and control systems. The same applies to the whistleblowers regulations and code of conduct.

Protection measures

USG People has no protection measures. The company only has ordinary shares which are listed in the Midcap of Euronext N.V. in Amsterdam.

Remuneration

General

The remuneration policy is designed to attract and retain good management for a publicly listed internationally operating company. In determining the policy the objective is to mesh with market conditions. The remuneration should enable the hiring and subsequently motivation and retention of experienced senior management whose performance will be such as to enhance the value of USG People. USG People is of the opinion that there should be a balance between short term operating results and sustainable value for the company in the long term. Self evidently, in this context, the aim is to increase shareholders' value.

Executive Board

The General Meeting of Shareholders adopts the remuneration policy. The Supervisory Board determines the amount of the remuneration of the individual members of the Executive Board.

The remuneration of the Executive Board comprises a fixed and a variable part.

The fixed part is assessed for longer periods, on a regular basis, whereby account is taken of the level of experience and responsibility of the executive directors in question. The variable part comprises a short-term bonus and a long-term bonus.

The short-term bonus comprises a maximum of 2 per mille of the EBITA of the entire company. Half of this two per mille is linked to realisation of the EBITA and revenue growth in relation to the pre-determined budget. There is a reduction on the payout of the short-term bonus in the event that the set DSO target (days sales outstanding) is not realised. The short-term bonus is paid out in cash.

The long-term bonus is granted in shares of USG People on condition that the challenging and previously clearly defined requirements of the Unique Share Plan (USP) are met.

The main line of the USP were approved by the General Meeting of Shareholders on 12 May 2005. During the General Meeting of Shareholders on 9 May 2006, prompted by the acquisition of Solvus, proposals were made to adjust performance criteria to the changed company. The USP is valid for the period 1 January 2005 until the end of 2010 and is subject to the following main lines.

- The USP is valid for the period 1 January 2005 – 31 December 2010.
- The performance criteria are determined, for a period of three years each time. The current performance criteria are valid for the years 2005 (pro

Report of the Executive Board

forma), 2006 and 2007. This means that after adoption of the figures for the financial year 2007 (hence after the General Meeting of Shareholders in 2008), the possible realisation of performance criteria shall be examined.

- In the event that performance criteria have been realised over a period of three years the CEO and CFO shall receive a net cash bonus equal to the value of respectively 30,000 shares (CEO) and 18,000 (CFO) of USG People (the number of shares has been adjusted due to the 1:2 split in October 2006). The totals are based on a conditional annual payout of 10,000 and 6,000 shares, respectively. The price applied here is the price on the first working day with payment ex-dividend following the General Meeting of Shareholders.
- If, after three years (end 2007), it is apparent that all performance criteria have been met, the executive director shall receive one additional extra share (bonus share) for each share granted under this share plan.
- In the event that the member of the Executive Board keeps the shares granted under the share plan up to the end of 2010, this Executive director shall receive a bonus equal to half the number of shares which the Executive director has received and held for the years 2005, 2006 and 2007 (excluding bonus shares). The arrangement is designed to emphasise the bond between the director and the company.
- Shares and bonus shares are only granted where the director is employed by USG People at the time of payment of the (bonus) shares.
- Following financial year 2007 the Supervisory Board will assess the need to adjust the USP, the objectives and/or performance criteria. In the event of the interim need to adjust performance criteria the Supervisory Board will submit this to the General Meeting of Shareholders.

The performance criteria for the financial years 2005, 2006 and 2007, based on pro forma figures for 2005 and 2004, are as follows:

- a) There is to be an average of 12.5% annual revenue growth for USG People N.V. during the period as a whole.
- b) The EBITA at end 2007 shall total at least 6.5% of revenue.
- c) Payment shall only be made in the event that both criteria (a and b) are met.

The Supervisory Board may, in exceptional cases, where performance criteria have not been met, permit a payment in shares to directors. However, in that specific situation, this will be conditional on there already being a sustainable creation of value, in the longer term, for the company.

Furthermore, the members of the Executive Board receive a contribution to the pension provision which has been set at 15% of the fixed salary.

Notice and redundancy

A six-month period of notice has been agreed with the members of the Executive Board. The payment on termination of the contract of employment amounts to a maximum of one year's salary calculated on the fixed part of the salary. In the event that the maximum of one annual salary for a member of the Executive Board who is dismissed during his/her first term of appointment is clearly unreasonable, this person shall then be considered for a redundancy payment amounting to a maximum of twice the annual salary. No arrangement has been made as to the premature departure of members of Executive Board.

Mr. Alain Dehaze left the company in the course of July 2006. The dissolution payment amounted to € 598,000, representing an annual salary of € 520,000 plus a pension contribution of € 78,000. Mr. Dehaze was also conditionally granted 8,000 shares for extraordinary efforts in regard to the combination of the USG and Solvus organisations. Accordingly, these will possibly be paid in May 2008.

The conditions are the above-mentioned performance criteria with regard to revenue and ebita growth.

Supervisory Board

The General Meeting of Shareholders adopts the remuneration of the Supervisory Board. In 2006 the remuneration was € 50,000 per year for the chairman and € 35,000 for members. Furthermore, the chairmen of the internal committees received € 5,000 per year and the members of the internal committees received € 3,000 per year.

Report of the Executive Board

Internal organisation

Human resources policy

Alongside the multi-label strategy the success of USG People is largely owed to its employees. Indeed, seeking to develop employees' talent is central to our HR policy – both in their current functions and their future careers. This development must be relating to the culture of USG People, both in terms of the overall organisation and of the separate operating companies. In this way we are convinced that we are creating conditions to retain people with the organisation for longer periods.

Supporting factor

Back at the time of the acquisition of Solvus in 2005 we established that shared cultural aspects far outweighed the differences. This was a major contributory factor in the smoothly running integration, despite the high level of commercial pressure.

The differing cultures at the operating companies are important factors in the success of USG People. At the same time it is possible to define a number of key factors applying to all employees. For example, a coherent group culture is extremely important – particularly now that the organisation is growing so strongly – helped by the acquisition of Solvus – and becoming increasingly international. This is also the reason that we defined five core values for USG People in 2006. These are: respect, development, enthusiasm, solidarity and a focus on results. These core values are set out in USG People's "Business Principles" publication. Alongside core values this sets out mutual obligations for our organisation and our stakeholders – plus ways of compliance. These Business Principles will be implemented in all thirteen countries where USG People is active during the course of 2007.

E-campus

Our clients are anxious that we go on meshing our service offering with their dynamic market place - and that we do so fast and efficiently. Meanwhile, candidates expect us to think along pro-actively about their development potential and carrier opportunities. The staff at USG People need the time, knowledge and skills for a personalised and meaningful focus, with a proactive approach.

In fact, USG People is the first organisation in the flex industry to integrate learning in the workplace. In 2006, following a successful pilot project in 2005, we implemented the e-campus – USG People's electronic learning environment – in The Netherlands at the operating companies of Start People, Unique, Technicum, Secretary Plus and Ad Rem. There is a learning station at each branch where the e-campus can be accessed 24 hours a day. This has reduced the number of learning days for new staff by 50%. In view of the large investments in training and development the cost savings have indeed been substantial. The other Dutch operating companies will be connected up to the

e-campus in 2007.

The learn/work combination has also had an unmistakable flywheel effect. Many organisations struggle with the conundrum of quantifying the return on education and training. On-the-job supervision can make a crucial contribution here – albeit the time and experience are often absent. Our e-campus at USG People offers a solution for this, which we call “total-learning”; this is a combination of e-learning, on-the-job training and traditional get-togethers. The starting point for total-learning is that everyone learns in his/her own way. Therefore the three aspects cited cannot be approached separately.

The employee starts by going through the e-campus syllabus independently – by reading texts, answering questions, practising and watching video extracts. Next, there is a two-step entry test before they can start the training course. This is theoretical with the e-campus and practical with a coach. It ensures that everyone flows-in with the same basic knowledge and skills. Meanwhile, the coaches ensure that lessons learned are structurally converted into new actions in practice. The course ends with an exam; once again this comprises theory and practice. This way employees are tested on knowledge, skills and attitude. All results are stored electronically. The e-campus has been developed in several languages.

Management-development

The attraction of USG People as employer or intermediary is largely determined by our pro-active approach to helping people to self-develop, and by the new career potential we offer them.

Our extensive management development programme is central here and in 2006 it was expanded with a Strategic Course for higher-level management of USG People in The Netherlands. Alongside existing programmes for talented staffers and managers this grouping now has a structured window to get involved with USG People’s five development domains: Drive for Result, Business Direction, Drive for Efficiency, Working with People and Personal Effectiveness.

Executives, directors and members of management teams at operating companies and corporate management and staff all take part in this programme. One of the most important aims of the Strategic Course is to forge connections between day-to-day management tasks and USG People’s renewed strategy. The course was launched shortly after the acquisition of Solvus to offer a fulcrum for reinforcing the internal network which had just undergone substantial expansion. Lastly, it offers pragmatic insights into all five learning domains.

Outside and in-house top-thinkers and doers shared their visions around the various topical developments at the company, the marketplace and society. With this approach USG People aims to enable management to deploy and boost the most advanced insights around result and entrepreneurial stance, finances, leadership and personal effectiveness in their organisation.



Report of the Executive Board

During 2007 senior management in other countries will be similarly familiarised with the programme, while version two of the Strategic Course will also start up in The Netherlands in the same year.

Succession Planning

It is a fact that no single executive stays in his or her present role forever. With this in mind, as an organisation, we believe that it is important to prepare talented personnel – in good time – to succeed today's management. To this end we maintain a clear, accurate picture of our high potentials – people who stand out for their fast development, creativity and proactive stance; people with potential for leadership and the ambition to take on the future responsibility for a team or part of the business. These potentials receive our personal and professional support; this is how many managers have grown into their present roles at USG People.

Compensation & Benefits

For this same group the decision has been taken to operate a harmonised and consistent compensation policy. The aim here is to attract qualified and expert executives - to motivate and above all to retain them with a compensation formula in line with the market. This payment comprises a fixed annual salary, an annual short-term bonus as an extra boost to realise the year-plan of the operating company, plus a number of pre-agreed objectives, and a long-term bonus designed to enhance the long-term relationship with the company. The latter bonus is designed for participation of top management in the value-development of the company and to create shareholders' value.

Participation structure

The Central Works Council of USG People met twelve times in 2006. On seven occasions there were consultations with a member of the Executive Board and once with a delegate from the Supervisory Board. Subjects covered included the new management structure, the integration and relocation of Solcos (the Shared Service Center of former Dutch Solvus companies) to Almere, the integration of UTS and Innotiv into USG Innotiv, and the groundwork for a new employee participation structure in 2007.

ICT

USG People operates a multi brand strategy with relatively autonomous operating companies positioned as near as possible to the client for optimal service. To add substance to this USG People uses decentral and specific applications which allow us to approach the client as effectively and efficiently as possible. These local applications are specially developed to take account of national and brand differences. To take an example, differences in legislation and social systems might mean that using standard applications in all countries and markets would often be complex and inflexible.

To this end applications are constructed to be as flexible and modular as possible to enable the fastest possible response to shifts in the market place and to utilise opportunities without delay. There are also stringent demands and conditions to ensure quality. Efficiency is realised by the maximum possible modular developments and so to stimulate that parts of these applications can be used further within the organisation.

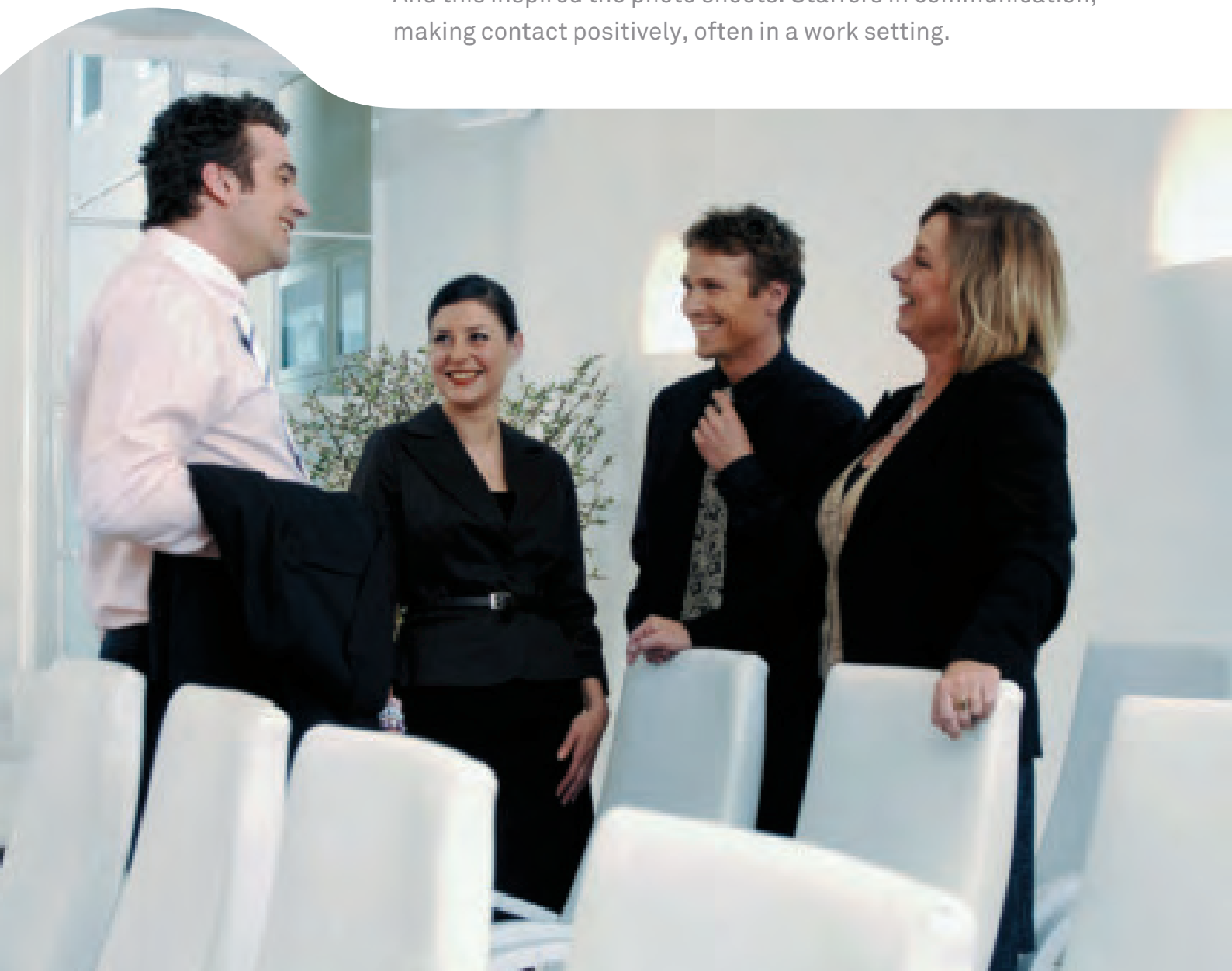
ICT strategy aims to ensure:

- The highest possible level of support for business activities
- Rapid processing of changes in services and products and (e.g.) legislation, with modular, standardised architectures of our applications
- Use of advanced/new technologies and developments
- Rapid marrying of IT applications to our organisation - and increasingly for our clients
- High level of availability to run processes as rapidly and breakdown-free as possible
- Data and information security
- Availability of business applications
- Maximum web enablement of new applications

A decentral approach is highly demanding from the control angle, hence the monitoring in terms of substance. The ICT policy, preconditions, and technical infrastructure are determined – and often managed – from the Corporate level. The quality and performance of our infrastructure are key factors in determining the decentral availability and performance of our applications.

To realise benefits of scale while maintaining national characteristics USG People has deployed ICT activities, for each country, in a Shared Service Center. This combined set-up per country is more efficient while maintaining flexibility – which in turn allows a rapid response to changing circumstances.

Individuals count at Unique – individuals as team members. And this inspired the photo shoots. Staffers in communication, making contact positively, often in a work setting.



Outlook

With an operating margin of 5.8% USG People has realised an important step towards the desired operating margin of at least 6.5% for 2007. We expect to realise this aim in 2007.

We see continuing strong revenue growth in virtually all of the thirteen countries where USG People provides its services. There is strong economic growth in most countries where we operate and for 2007 expectations in this context are good.

Given continuing economic growth combined with the fact that USG People has clearly reinforced its position in The Netherlands, Belgium, Spain and Italy justifies expectations of good revenue growth again in 2007. Meanwhile, the gross margin is expected to further increase and the synergetic benefits from the physical integrations in 2006 and 2007 will yield additional cost efficiency for 2007. Alongside the expected autonomous growth our cash flows and improved capital structure offer the scope to further expand our branch network in the growth areas and to increase our market positions through acquisitions.

Almere, 6 March 2007

Executive Board

Ron Icke, *CEO*

Rob Zandbergen, *CFO*

Supervisory Board and Executive Management

Supervisory Board

Cor Brakel

(1937, Dutch nationality) has chaired 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. Brakel sits on the supervisory boards of companies including Aalbers Industries N.V. His period in office ends in 2010.

Christian Dumolin

(1945, Belgian nationality) was a member of the Supervisory Board of Solvus N.V. acting in the role of independent executive director from 1998 until the acquisition of Solvus N.V. by USG People N.V. in 2005.

Mr. Dumolin is chairman and CEO of the Koramic Investment Group. He also holds a number of directorships (supervisory and advisory). He is deputy chairman of the Aufsichtsrat Wienerberger in Vienna, trustee of the National Bank in Belgium, a member of the supervisory commission for the Banking, Finance and Insurance Industry (CBFA), a member of the supervisory board of the Financial Services Authority, a member of the General Council of Vlerick Leuven Gent Management School, a member of the Board of the Verbond Belgische Ondernemingen (VBO), a member of the Board of the Vlaamse Jonge Ondernemingen (VLAJO), a member of the Board of Trustees of the Corporate Governance Institute and an executive director of several companies, including Clear2Play, De Steeg Investments, E & L Real Estate, Vitalo Industries and Spector. His period in office ends in 2008.

Joost van Heijningen Nanninga

(1946, Dutch nationality) joined the Supervisory Board of USG People in April 2001. He is a partner in Egon Zehnder International and hence has wide expertise in the field of personnel and organisation. Mr. 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) joined the Supervisory Board in December 2002. She graduated from Dordrecht technical college 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 Van Lier Lels is a member of the Supervisory Board of KPN, Connexion, TKH Group, Maersk Nederland and Slavenburg Holdings. She is also a member of the Audit Committee of the Netherlands Court of Audit and the Innovation Platform and member of the Council of Transport, Public Works and Water Management. Her period in office ends in 2008.

Alex Mulder

(1946, Dutch nationality). Mr. Alex Mulder founded Unique Uitzendbureau in 1972 and is therefore the founder of USG People, where he was CEO and president up to 2006. After the General Meeting of Shareholders in 2006 Alex Mulder was appointed to the Supervisory Board of USG People. He is also a member of the audit committee.

Alex Mulder also holds various management positions and directorships: he is delegate director of Hovu Beheer N.V. and Bellenhof N.V., director of Amerborgh B.V., chairman of the Stichting AM Foundation and managing director of Amsterdam Art Metropole N.V. His period in office ends in 2010.

Supervisory Board and Executive Management

Executive Board



Ron Icke

CEO

Ron Icke has been CEO of USG People since November 2005. In this function he is also chairman of the Board of Management and 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, the present USG People N.V. He is also supervisory director of Gropeco.

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 was an chartered accountant for 14 years. His responsibilities covered the general auditing practice and merger investigations.

Ron Icke (1957) has Dutch nationality.



Rob Zandbergen

CFO

Rob Zandbergen has been active in the temporary employment sector since early 2003, first as CFO of Solvus N.V., the publicly listed company acquired in 2005, after which he was appointed CFO at USG People. He also sits on the board of the STIPLU, the Dutch pension fund for temporary employees.

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 management positions with internal control, controlling and purchasing. In 1990 he moved to the business world, first as Corporate Controller at KPN International, followed by various national and international financial directorship functions. Subsequently he became CFO of the SNT Group N.V., a publicly listed Dutch company.

Ron Zandbergen (1958) has Dutch nationality.

Board of Management



Hans Coffeng

EVP Central Europe

Hans Coffeng started with Unique Nederland in 1993 as an intern while studying sociology 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 USG People and a member of the Board of Management.

As Executive Vice President Hans Coffeng is responsible for all activities in Germany, Austria, Switzerland, Poland, Italy, the Czech Republic and Slovakia. 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.



Yvan Dierckxsens

EVP South West Europe

Yvan Dierckxsens started his career with Axa as a consultant. 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. Since 2006 he is a member of the Board of Management of USG People. He also chairs Federgon, the Belgian federation for temporary employment, recruitment & selection, outplacement, projects, training, secondment and interim management.

As Executive Vice President of USG People Yvan Dierckxsens is responsible for all activities in Belgium, Luxemburg, France, Spain and Portugal.

Yvan Dierckxsens (1961) has Belgian nationality.

Supervisory Board and Executive Management



Albert Klene

EVP The Netherlands

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), Managing Director VSP Group, member Mail Executive Board and Director Operations European Mail Networks.

In 2005 he moved to Solvus as Executive Vice President. Albert Klene has been a member of the Board of Management since 2006.

As Executive Vice President Albert Klene is responsible for all activities in The Netherlands.

Albert Klene (1961) has Dutch nationality.

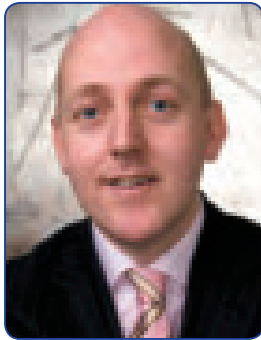
Executive Committee

Evamaria de Boer

CVP Human Resources

Evamaria de Boer studied for her degree in Politics of the Employment Market and Personnel Policy while working as a “temp” with Unique Uitzendbureau. In 1982 she joined full time as an intermediary with Unique. In 1984 she became a personnel officer and in 1987 she was appointed Manager Personnel & Organisation. In 1998, 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. Two years later she took shared responsibility for steering United Services Netherlands (the Shared Service Center in the Netherlands), before she was appointed Corporate Vice President Human Resources and became member of the Executive Committee.

Evamaria de Boer (1957) has Austrian nationality.

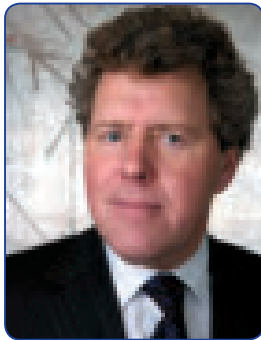


Albert Jan Jongsma

CVP Legal & M&A

Albert Jan Jongsma joined USG People in 1995. After graduating in law he took a range of courses and gained an MBA. Following a career ranging from corporate lawyer to Corporate Director Legal & Acquisitions at USG People, in September 2006 he was appointed Corporate Vice President Legal & M&A and member of the Executive Committee.

Albert Jan Jongsma (1968) has Dutch nationality.



Leo W. Houwen

CVP Corporate Affairs

Leo Houwen's career started in a range of commercial positions. In 1975 he was appointed District Manager at Interlance Uitzendburo. He became Commercial Director and in 1980 he became Interlance's Managing Director. Interlance was later taken over by Vedior Holding. In 1989, Leo Houwen made the move from General Manager of Vedior Uitzendbureau to Unique Uitzendburo where he sat in the Executive Committee since 1992. In 1994 Leo Houwen joined the executive committee of the ABU (the Dutch association of temporary employment agencies), and is currently vice chairman. He is also a board member of the Euro CIETT, the international umbrella organisation for the representation of the temporary employment industry at European level.

As Corporate Vice President Leo Houwen is responsible for Corporate Affairs and member of the Executive Committee.

Leo Houwen (1949) has Dutch nationality.



Annual accounts

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1 Consolidated income statement

| Note | In thousands of euros | 2006 | 2005 |
|--------|---|----------------|----------------|
| 5.26 | Net revenue | 3,536,836 | 1,977,609 |
| 5.28 | Cost of sales | 2,690,045 | 1,471,074 |
| | Gross Profit | 846,791 | 506,535 |
| 5.29 | Selling expenses | -574,513 | -382,362 |
| 5.29 | General and administrative expenses | -97,296 | -59,988 |
| 5.27 | Other income and expenses | 19,224 | – |
| | Operating income | 194,206 | 64,185 |
| 5.30 | Financial expenses | -32,015 | -26,287 |
| | Income before taxes | 162,191 | 37,898 |
| 5.31 | Income tax expenses | -50,909 | -16,669 |
| | Net income | 111,282 | 21,229 |
| | Attributable to: | | |
| | Equity of the company | 110,853 | 21,077 |
| | Minority interest | 429 | 152 |
| | | 111,282 | 21,229 |
| | Earnings per share attributable to the equity holders of the company (in euros per share of € 0.50 nominal) | | |
| 5.40.4 | Basic | € 1.76 | € 0.43 |
| 5.40.4 | Diluted | € 1.63 | € 0.39 |

2 Consolidated balance sheet at 31 December

| Note | In thousands of euros | 2006 | 2005 |
|------|--|------------------|------------------|
| | Non-current assets | | |
| 5.32 | Property, plant and equipment | 55,777 | 57,088 |
| 5.33 | Goodwill | 801,168 | 776,005 |
| 5.34 | Other intangible assets | 123,285 | 141,859 |
| 5.36 | Financial fixed assets | 6,811 | 7,209 |
| 5.37 | Deferred income tax assets | 68,877 | 105,705 |
| 5.43 | Other non-current assets | 10,564 | 11,572 |
| | | 1,066,482 | 1,099,438 |
| | Current assets | | |
| 5.38 | Trade and other receivables | 769,879 | 665,034 |
| | Current income tax receivables | 23,567 | – |
| 5.48 | Derivative financial instruments | 238 | – |
| 5.39 | Cash and cash equivalents | 39,616 | 300,807 |
| | | 833,300 | 965,841 |
| | Total assets | 1,899,782 | 2,065,279 |
| 5.40 | Capital and reserves attributable to equity holders | | |
| | Share capital | 320,580 | 319,751 |
| | Other reserves | 16,973 | 13,842 |
| | Retained earnings | 236,867 | 138,616 |
| | | 574,420 | 472,209 |
| | Minority interest | 1,129 | 2,264 |
| | Total equity | 575,549 | 474,473 |
| | Non-current liabilities | | |
| 5.42 | Borrowings | 337,415 | 435,272 |
| 5.43 | Retirement benefit obligations | 1,122 | 4,423 |
| 5.44 | Other provisions | 9,715 | 8,269 |
| 5.37 | Deferred income tax liabilities | 46,270 | 53,236 |
| | | 394,522 | 501,200 |
| | Current liabilities | | |
| 5.45 | Borrowings | 313,324 | 543,933 |
| 5.46 | Trade and other payables | 570,090 | 514,536 |
| | Current income tax liabilities | 29,540 | 1,432 |
| 5.48 | Derivative financial instruments | 266 | 4,269 |
| 5.44 | Other provisions | 16,491 | 25,436 |
| | | 929,711 | 1,089,606 |
| | Total liabilities | 1,324,233 | 1,590,806 |
| | Total equity and liabilities | 1,899,782 | 2,065,279 |

3 Consolidated statement of changes in shareholders equity

| Note | Attributable to equity holders of the Company | | | Minority interest | Total equity | |
|--------|---|----------------|-------------------|-------------------|---------------|----------------|
| | Share capital | Other reserves | Retained earnings | | | |
| | Balance at 1 January 2005 | 92,095 | – | 126,093 | 385 | 218,573 |
| 1 | Net income/total income 2005 | – | – | 21,077 | 152 | 21,229 |
| 5.27 | Minority interest acquisition | – | – | – | 1,727 | 1,727 |
| 5.40 | Issuance of share capital | 224,405 | – | – | – | 224,405 |
| 5.40.2 | Exercised option rights | 3,251 | – | – | – | 3,251 |
| 5.42.2 | Equity component of convertible subordinated bond | – | 13,842 | – | – | 13,842 |
| 5.41.3 | 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 |
| | Balance at 1 January 2006 | 319,751 | 13,842 | 138,616 | 2,264 | 474,473 |
| 1 | Net income 2006 | – | – | 110,853 | 429 | 111,282 |
| | Equity component of convertible subordinated bond | – | 874 | – | – | 874 |
| | Currency translation differences | – | -21 | – | – | -21 |
| | Total income 2006 | – | 853 | 110,853 | 429 | 112,135 |
| 5.40.2 | Share plan | – | 2,278 | – | – | 2,278 |
| 5.40.2 | Exercised option rights | 829 | – | – | – | 829 |
| 5.27 | Minority interest acquisition | – | – | – | -1,564 | -1,564 |
| 5.41.3 | Dividend relating to 2005 | – | – | -12,602 | – | -12,602 |
| | | 829 | 2,278 | -12,602 | -1,564 | -11,059 |
| | Balance at 31 December 2006 | 320,580 | 16,973 | 236,867 | 1,129 | 575,549 |

4 Consolidated cash flow statement

| Note | | 2006 | 2005 |
|-----------|---|-----------------|-----------------|
| | Cash flow from operating activities | | |
| 1 | Income before taxes | 162,191 | 37,898 |
| | Adjustments for: | | |
| 5.29 | Depreciation and amortisation | 57,247 | 33,277 |
| 5.32/5.34 | Profit on sale of property, plant and equipment and intangible assets | 1,383 | – |
| 5.27 | Profit on sale of subsidiary | -19,081 | – |
| 5.30 | Fair value of result on derivative financial instruments | -4,242 | 3,319 |
| 5.30 | Interest expense | 36,257 | 22,968 |
| 5.40.2 | Expenses of share plan | 2,278 | – |
| 5.44 | Change in other provisions | -10,800 | 5,625 |
| 5.43 | Change in other non-current assets | 1,008 | – |
| | Changes in working capital: | | |
| | - trade and other receivables | -100,544 | -42,521 |
| | - trade and other payables | 54,978 | 57,635 |
| | Cash flows from operating activities | 180,675 | 118,201 |
| | Income tax paid | -19,428 | -3,227 |
| | Net cash flow from operating activities | 161,247 | 114,974 |
| | Cash flow from investing activities | | |
| 5.27 | Acquisition of subsidiaries | -31,960 | -551,929 |
| 5.32 | Purchases of property, plant and equipment | -21,728 | -11,586 |
| 5.34 | Purchases of intangible assets | -11,305 | -5,553 |
| 5.32 | Disposal of property, plant and equipment | 1,517 | – |
| 5.34 | Disposal of intangible assets | 624 | – |
| 5.27 | Proceeds on sale of subsidiary | 24,410 | – |
| 5.36 | Borrowings and guarantee deposits receivable | 618 | 382 |
| | Net cash flow from investing activities | -37,824 | -568,686 |
| | Cash flow from financing activities | | |
| 5.40 | Proceeds from issuance of shares | 829 | 224,405 |
| 5.42 | Proceeds from issuance of convertible subordinated bond | – | 110,655 |
| 5.42 | Proceeds from borrowings | – | 295,677 |
| 5.42 | Repayments of borrowings | -84,996 | -43,000 |
| | Interest paid | -35,419 | -20,748 |
| 5.40 | Dividends paid | -12,602 | -9,084 |
| | Change in current borrowings | -15,637 | -89,835 |
| | Net cash flow from financing activities | -147,825 | 468,070 |
| | Decrease/ Increase cash and cash equivalents | -24,402 | 14,358 |
| | Changes in cash and cash equivalents | | |
| | Cash and cash equivalents at 1 January | 36,991 | 22,633 |
| | Decrease/ Increase cash and cash equivalents | -24,402 | 14,358 |
| 5.39 | Cash and cash equivalents at 31 December | 12,589 | 36,991 |

5 Notes to the consolidated financial statements

5.1 General

USG People N.V. has its registered office 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.

The group operates in thirteen countries.

The consolidated IFRS financial statements of the Company for the year ended 31 December 2006 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). The shares of the Company are listed on the Amsterdam stock exchange (Euronext N.V.).

The financial statements were prepared and approved for publication by the Executive Board on 6 March 2007. The annual report and financial statements for 2006 were discussed at the meeting of the Supervisory Board on 6 March 2007 and will be submitted for adoption to the General Meeting of Shareholders on 26 April 2007.

In preparing the financial statements of 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 2006 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as accepted within the European Union.

The financial statements are presented in euros (€). Amounts are shown in thousands of euros unless otherwise indicated. The euro is the functional and presentation currency of the group.

The financial statements are prepared in conformity with IFRS, for which purposes the Executive Board is required to make assessments, estimates and assumptions which influence application of regulations 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. Financial assets and financial liabilities (including derivative instruments) are initially presented at fair value. Subsequent measurements of receivables and liabilities are based on amortised cost. Subsequent measurements of derivatives are based on fair value. The estimates and assumptions serve as the basis for assessment of the value of the assets and liabilities as rendered for which the amounts are not currently apparent from other sources. However, actual results may diverge from the estimates.

Estimates and underlying assumptions are subject to constant assessment. Changes in estimates and assumptions are recognized in the period in which the estimates are revised if the revision exclusively relates to the relevant period or the period of revision, and in future periods if 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 material inaccuracies in the following year are included in notes 5.54.

Group companies consistently apply the principles for valuation and determination of result to the period presented in these consolidated financial statements.

Of the new mandatory standards and interpretations to be implemented in 2006, the amendment to IAS 21 (net investment in a foreign operation) has had an impact on the income and equity. Currency translation differences on financing foreign operations must be directly recognized in equity. Furthermore, the group is also affected by an amendment to IAS 19. The amendment to IAS 19 offers the possibility of recognizing unrealised actuarial gains and losses directly in equity. The group elected not to make use of this new possibility. Other amendments to standards and the introduction of standards during 2006 do not apply to the group.

Published standards and amendments to published standards which are not effective as yet do not impact the financial statements for 2007. Only IFRS 7 (Financial instruments: Disclosures) affects the notes to the financial statements for 2007, but not the classifications and valuations.

5.3 Consolidation of subsidiaries

Subsidiaries are all entities over which group has direct or indirect power to govern via possession 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 the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of transaction, subsequent payment obligations which are expected to result in payment as well as the expenses directly allocated

to the acquisition. Identifiable assets and liabilities taken over in a business combination are 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 recorded as 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 (see Note 5.7).

Transactions with minority shareholders are recognised in third-party transactions. Purchases of interests held by minority shareholders are recognised in goodwill, this being the difference between the amount paid and the acquired share of the net asset value.

Intercompany transactions, balances and unrealised gains 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 currencies

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 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 proceeds and expenses 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 currency translation reserve.

5.5 Derivative financial instruments

Derivative financial instruments are initially recognised in the financial statements at fair value on the date entering into a contract and are subsequently remeasured at fair value at every reporting moment. Changes in the fair value of derivative financial instruments are recognised directly 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 via a financial lease are carried at the lower of fair value and the cash value of the minimum required lease payments at the start of the lease, less the accumulated depreciation (see 5.6.3) and impairment (see 5.12). Lease payments are shown in accordance with 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 useful life 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 residual value, method of depreciation and period of depreciation (component method) are reviewed on the 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 difference between the cost of an acquisition over the net fair value of the identifiable acquired assets, liabilities and contingent 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 in the income statement. In the event of the sale of an entity the value of the goodwill is recognised in income.

5.8 Other intangible assets

5.8.1 Trademarks and licences

Trademarks and licences 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. Trademarks and licences have a finite service life and are carried at cost 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 trademarks owned. The licensed trademarks are charged to the income statement using the straight-line method, based on the duration of the licence contract.

5.8.2 Customer relationships

At the moment of initial recognition, customer relationships obtained through acquisitions are carried at fair value which is then taken as cost. 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 an estimated useful life of 8 years.

5.8.3 Software

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 insofar as it can be demonstrated that the project is technically feasible, that it is the intention to complete the project and to use the asset, that it will generate economic benefits in the future, that there are technical, financial and other means present to complete and use the asset, 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 (see 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) which do not have a set maturity date are recognised at cost. Where there is a set maturity date, they are carried at amortised cost using the effective interest method. In the case 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 initially recognised at fair value (often face value) less impairment for bad debts. After the initial recognition, subsequent recognition is on the basis of the amortised cost. 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. Bank overdrafts are carried as borrowings 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 have previously suffered 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 the 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 redemption 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.

Loans are shown as current liabilities unless the group has the unconditional right to postpone settlement of the liability until at least 12 months after balance sheet date.

5.15 Non-current interest-bearing borrowings and liabilities

Borrowings are initially recognised 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 postpone 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 affects neither 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 and which occur by a difference in group valuation rules and valuation for tax purposes, except where the timing of the reversal of the temporary difference is controlled by the group and it is improbable that the temporary difference will reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset if a legally enforceable obligation thereto exists and if the tax is levied by the same authority.

5.17 Employee benefits

5.17.1 Pension schemes based on defined contribution schemes

Under a *defined pension contribution scheme* the group pays set 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. With the exception of 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, which is mainly dependent on factors such as age, time employed and remuneration.

The group's 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 authorised 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 is charged to the income statement over the average period up to pension entitlement being granted. Insofar as entitlements are immediately granted the charge is immediately recognised in the income statement. Actuarial gains and losses arising from experience adjustments and changes 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 unrecognised 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 unrecognised 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 for a legally enforceable or constructive obligation for the group due to a past event, where it is probable that the settlement of the obligation will require an outflow of funds. Where this has a substantive effect, the provisions are 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

Provisions are made for restructuring if 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 Other employee provisions

The group includes provisions for future benefit payments to employees. These provisions take into account, insofar as applicable, future wage growth and personnel turnover. Included in the provisions are long-service awards, continued payment during extended period of sickness and payments on termination of the employment.

5.18.4 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 reliably measured. Group income mainly comes 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 reporting period 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.
- Recruitment and selection services: the recruitment and selection of employees for third parties whereby revenue is received at such a time as the commission is successfully completed, based on contractual invoicing conditions.
- Reintegration services: supporting reintegration services for third parties at an hourly rate, insofar as this occurs during the reporting period.
- Fees for IT and engineering projects based on a set process are 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 the total estimated hours per coaching subject.

No revenue is recognised for major uncertainties around recoverability of funds owed.

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 until the end of 2004. These options can be exercised fully and unconditionally. IFRS 1 does not require valuation for option plans that could be fully and unconditionally exercised before 1 January 2005. At such a time as the options are exercised the income obtained is recognised as share capital (at nominal value) and share premium, net of transaction costs.

Share-based remuneration which is not subject to the abovementioned is recognised as follows. The fair value of the conditionally granted shares on the basis of the share plan at USG ('Unique Share Plan'), including the company-paid wage tax and social security premiums relating to these shares, is recognised as an expense in the income statement. The total amount recognised as expense on

the income statement during the vesting period is determined on the basis of the fair value of the conditionally granted shares and any tax obligations for the employees, which are for the account of the company. The non-market-related performance conditions such as revenue growth, profitability and personnel turnover are included in the estimate of the ultimate total of shares to be granted. The estimate of the ultimate total of shares to be granted is revised at balance sheet date. The effect of this revision, if applicable, is recognised in the income statement. The expenses are recognised on a time-weighted basis over the period which relates to the performance. A reserve is maintained in equity for the fair value of the shares granted. The obligations relating to wage taxes and social security premiums of the members are recognised in the financial statement under current liabilities.

5.21.4 Financial expenses

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

5.22 Taxation

Profits-based tax on the income for the financial year comprises taxes due for the period under review together with recoverable and deferred income tax. Profits-based tax is shown in the income statement except insofar as it 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 profits-based tax on the taxable income calculated on the basis of legally determined tax rates, and adjustments to taxes for previous financial years.

Additional income profits-based tax 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 profit due to ordinary shareholders divided by the weighted average number of issued shares for the relevant period. The diluted profit per 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 based on the indirect method. The statement of cash flow differentiates between cash flows from operating, investing and financing activities. Cash flows in foreign currencies are translated at the average rate during the financial year. Income and expenditure before income tax on profit are recognised under cash flow from operating activities. Interest paid and received is 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 investing 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 interest rate movements 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 fixed interest-bearing borrowings and costs, as well as jointly held assets and costs. Investments in property, plant and equipment and intangible assets of a segment relate to the total of costs for acquisition (during the reporting period) of the assets of the segments which are expected to be utilised for longer than a particular reporting period.

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, construction, care, technical, industry, transportation and logistics sectors.
- **Specialist Staffing:** Provision of specialised flex solutions for functions including administration, financial, secretarial, call centers, technical and medical.
- **Professionals:** This segment focuses in recruiting high-grade specialists and employees for secondment in areas including construction, 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.
- **Customer Care:** High-grade customer contact centers focusing on knowledge intensive services

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including sales, recruitment, information provision, complaints and processing e-mail.

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

Segmentation per activity

| | General Staffing | | Specialist Staffing | | Professionals | |
|---|------------------|-----------|---------------------|---------|---------------|---------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Net revenue | 2,134,523 | 1,102,405 | 1,056,406 | 670,925 | 284,716 | 134,951 |
| Costs | 2,057,523 | 1,081,963 | 949,661 | 623,294 | 258,136 | 121,138 |
| Other income and expenditure | – | – | – | – | – | – |
| Operating income segment | 77,000 | 20,442 | 106,745 | 47,631 | 26,580 | 13,813 |
| Operating income as percentage of revenue | 3.6% | 1.9% | 10.1% | 7.1% | 9.3% | 10.2% |
| Assets | 933,411 | 874,500 | 581,549 | 589,058 | 205,577 | 163,420 |
| Liabilities | 420,877 | 444,792 | 149,773 | 167,248 | 45,661 | 51,396 |
| Capital expenditure | 10,515 | 4,997 | 7,486 | 3,611 | 1,931 | 363 |
| Depreciation and amortisation | 13,770 | 6,478 | 15,544 | 16,492 | 10,528 | 3,146 |

Geographic segmentation

| | Netherlands | | Belgium/Luxembourg | | France | |
|--|-------------|-----------|--------------------|---------|---------|---------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Net revenue | 1,597,453 | 1,076,651 | 747,091 | 369,097 | 487,161 | 146,968 |
| Assets | 838,848 | 1,095,809 | 399,565 | 321,328 | 243,305 | 228,170 |
| Capital expenditure | 15,691 | 10,313 | 11,549 | 3,917 | 1,654 | 307 |
| Depreciation and amortisation | 37,149 | 20,900 | 14,581 | 5,808 | 2,531 | 212 |
| Employees (direct and indirect) on full-time basis | 43,085 | 28,824 | 20,113 | 9,856 | 16,198 | 5,161 |

* Other comprises Germany, Austria, Switzerland, Poland, the Czech Republic and Slovakia

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| Other activities | | Corporate | | Unallocated | | Total | |
|------------------|---------|-----------|---------|-------------|---------|-----------|-----------|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 61,191 | 69,328 | – | – | – | – | 3,536,836 | 1,977,609 |
| 67,659 | 66,287 | 28,875 | 20,742 | – | – | 3,361,854 | 1,913,424 |
| 19,224 | – | – | – | – | – | 19,224 | – |
| 12,756 | 3,041 | -28,875 | -20,742 | – | – | 194,206 | 64,185 |
| 20.8% | 4.4% | – | – | – | – | 5.4% | 3.2% |
| 55,277 | 102,306 | 31,524 | 201,128 | 92,444 | 134,867 | 1,899,782 | 2,065,279 |
| 11,563 | 51,942 | 236,262 | 434,197 | 460,097 | 441,231 | 1,324,233 | 1,590,806 |
| 2,003 | 1,089 | 11,098 | 7,079 | – | – | 33,033 | 17,139 |
| 11,968 | 4,264 | 5,437 | 2,897 | – | – | 57,247 | 33,277 |

| Spain/Portugal | | Italy | | Other* | | Unallocated | | Total | |
|----------------|---------|---------|--------|---------|--------|-------------|---------|-----------|-----------|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 373,124 | 254,273 | 136,389 | 63,918 | 195,618 | 66,702 | – | – | 3,536,836 | 1,977,609 |
| 147,095 | 138,584 | 75,983 | 64,813 | 102,542 | 81,708 | 92,444 | 134,867 | 1,899,782 | 2,065,279 |
| 2,516 | 2,274 | 739 | 168 | 884 | 160 | – | – | 33,033 | 17,139 |
| 1,668 | 3,782 | 474 | 392 | 845 | 2,183 | – | – | 57,247 | 33,277 |
| 24,146 | 13,946 | 5,098 | 2,598 | 11,043 | 3,694 | – | – | 119,683 | 64,079 |

5.27 Acquisitions and sales of subsidiaries

5.27.1 Capital expenditure in 2006

In 2006 USG People N.V. acquired Utrechtse Juristen Groep (July), Start Czech (September) and Start Slovakia (September). USG People N.V. recognised the acquisitions by the purchase accounting method. Following initial allocation of the cost of the acquisition to the assets, liabilities and contingencies purchased, an amount of € 14,621 was identified as goodwill.

An amount of € 1.2 million was recognised in the income of the group for 2006 as positive income of the acquired companies.

If the acquired companies had been consolidated for the whole of 2006, net revenue would have been € 18.6 million higher and the net income would have been € 0.5 million lower.

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

| | |
|---|--------|
| Cost, paid in cash and cash equivalents | 17,649 |
| Fair value of acquired net assets and liabilities | 3,028 |
| Goodwill | 14,621 |

Goodwill is mainly attributable to completion of the activities portfolio in the Netherlands and the wider spread of activities across countries in Europe.

On acquisition date the assets and liabilities on account of the acquisition were as follows:

| | Fair value | Carrying amount |
|--|---------------|-----------------|
| Customer relationships | 2,997 | – |
| Property, plant and equipment | 602 | 602 |
| Other intangible assets | 25 | 25 |
| Financial fixed assets | 220 | 220 |
| Trade and other receivables | 7,923 | 7,923 |
| Cash and cash equivalents | 281 | 281 |
| Deferred income tax liabilities | -893 | -6 |
| Non-current liabilities | -99 | -99 |
| Income tax liabilities | -600 | -600 |
| Payables | -7,388 | -7,388 |
| Net assets and liabilities | 3,068 | 958 |
| Minority interest | -40 | -40 |
| Acquired net assets and liabilities | 3,028 | 918 |
| Consideration paid in cash | 17,649 | |
| Cash and cash equivalents in acquired subsidiary company | -281 | |
| Cash outflow as a result of acquisition | 17,368 | |

5.27.2 Disposals in 2006

In 2006 USG People N.V. disposed of its training activities (Luzac en Buro Transport Opleidingen). The financial information of the sold companies is recognised in the consolidated income statement for 2006 for as long as the group had a controlling interest in the subsidiary companies sold. The net assets and liabilities disposed of were as follows:

| | |
|---|---------------|
| Selling price: | |
| Cash and cash equivalents received | 15,273 |
| Carrying value net assets and liabilities disposed of | -3,839 |
| Goodwill on subsidiary companies sold | 31 |
| Income on sale subsidiary companies | 19,081 |

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

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

| | |
|--|---------------|
| Property, plant and equipment | 1,524 |
| Deferred income tax | -52 |
| Trade and other receivables | 3,623 |
| Non-current liabilities | -103 |
| Payables | -7,579 |
| Income taxes | -1,175 |
| Net assets and liabilities sold | -3,762 |
| Minority interest | -77 |
| Net assets and liabilities sold | -3,839 |
| Consideration received in cash | 24,410 |
| Cash and cash equivalents in sold subsidiary companies | 9,137 |
| Cash inflow as a result of disposal | 15,273 |

5.27.3 Acquisition of Solvus N.V.

On 19 August 2005 USG People N.V. acquired the Solvus N.V. of Belgium for € 585 million. USG People N.V. recognised the acquisition by the purchase accounting method. Following initial allocation of the cost of the acquisition to the assets, liabilities and contingencies purchased, an amount of € 597.9 million was identified as goodwill.

An amount of € 4.4 million was recognised in the income of the group for 2005 for the income of Solvus since the acquisition of Solvus N.V. The 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 € 2,993 million and the net income would have amounted to € 29.7 million.

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

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

In 2006 the fair value of the acquired net assets and liabilities was reduced by € 6,995. Goodwill was increased by the same amount (5.33).

Goodwill is mainly attributable to expected synergistic 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 |
|--|----------------|------------------------|
| Trademark rights 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 liabilities | -125,285 | -125,285 |
| 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 and cash equivalents | 585,000 | |
| Cash and cash equivalents in acquired subsidiary Company | -33,071 | |
| Cash outflow as a result of acquisition | 551,929 | |

5.28 Cost of sales

| | 2006 | 2005 |
|---|------------------|------------------|
| Wage and salary costs direct employees | 2,028,250 | 1,098,911 |
| Social security costs | 524,643 | 289,323 |
| Premiums for defined contribution pension schemes | 7,118 | 6,383 |
| Other costs of direct personnel | 130,034 | 76,457 |
| | 2,690,045 | 1,471,074 |

5.29 Selling and marketing costs and general and administrative expenses

| | 2006 | 2005 |
|--|----------------|----------------|
| Employee costs | 436,155 | 281,098 |
| Depreciations | 47,347 | 33,277 |
| Impairment | 9,900 | – |
| Other expenses | 178,407 | 127,975 |
| | 671,809 | 442,350 |
| Recognised in income statement under selling expenses | 574,513 | 382,362 |
| Recognised in income statement under general and administrative expenses | 97,296 | 59,988 |
| | 671,809 | 442,350 |

5.29.1 Breakdown of employee costs

| | 2006 | 2005 |
|---|----------------|----------------|
| Wages and salaries | 286,785 | 190,870 |
| Social security costs | 60,805 | 36,963 |
| Premiums for defined contribution pension schemes | 4,837 | 2,376 |
| Costs of defined pension rights | 3,280 | 2,856 |
| Costs of Share Plan | 4,253 | 427 |
| Other employee costs | 76,195 | 47,606 |
| | 436,155 | 281,098 |

5.29.2 Share Plan

An amount of € 3,533 is included in wages and salaries, relating to granting of shares to key management and other employees. The shares (314,000 in total) will be granted in 2008 or in 2011 if the conditions as mentioned in 5.40.2 are met. In 2005 wages and salaries comprised an amount of € 427 in relation to the granting of shares (9,300 in total).

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5.29.3 Total indirect employees per FTE

| | 2006 | 2005 |
|-------------------------------|-------|-------|
| Total at 31 December | 8,326 | 7,937 |
| Average during financial year | 8,251 | 5,599 |

5.30 Borrowing costs

| | 2006 | 2005 |
|---|---------------|---------------|
| Interest on borrowings | 34,728 | 13,810 |
| Other interest expenses | 1,292 | 9,158 |
| Change in value of derivative financial instruments | -4,005 | 3,319 |
| | 32,015 | 26,287 |

For the determination of the borrowing costs please refer to 5.42. For valuation derivative financial instruments refer to 5.48.

5.31 Taxes

| | 2006 | 2005 |
|-----------------------|---------------|---------------|
| Current tax | 56,891 | 14,889 |
| Deferred income taxes | -5,982 | 1,780 |
| | 50,909 | 16,669 |

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:

| | 2006 | % | 2005 | % |
|---|---------------|-------------|---------------|-------------|
| Operating income before taxes | 162,191 | | 37,898 | |
| Taxation based on weighted average tax rates | 52,216 | 32.2 | 12,508 | 33.0 |
| Costs not chargeable to tax | 9,062 | 5.6 | 1,137 | 3.0 |
| Effect of change in tax rates | 1,559 | 1.0 | 1,522 | 4.0 |
| Losses not valued | 2,236 | 1.4 | 2,145 | 5.6 |
| Tax losses carried forward | -2,433 | -1.5 | - | - |
| Deferred income tax gain/charge from previous financial years | 862 | 0.5 | 2,741 | 7.3 |
| Exempt revenues | -12,593 | -7.8 | -3,384 | -8.9 |
| Charge in consolidated income statement | 50,909 | 31.4 | 16,669 | 44.0 |

The weighted average standard tax rate is 32.2% (2005: 33.0%). The decrease compared with last year is due to 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 | Furnishings and rebuilding | Computers and peripherals | Other fixed assets | Total |
|--|-----------------------|----------------------------------|---------------------------------|--------------------------|---------------|
| Balance at 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 due to | | | | | |
| Acquisition of subsidiary company | 284 | 14,590 | 5,466 | 9,587 | 29,927 |
| Capital expenditure | 50 | 5,099 | 5,357 | 1,080 | 11,586 |
| Disposals | - | -249 | -787 | -1,003 | -2,039 |
| Depreciation | -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 | 926 | 28,818 | 10,441 | 16,903 | 57,088 |
| Breakdown of the 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 |

Annual accounts

| | Buildings and land | Furnishings and rebuilding | Computers and peripherals | Other fixed assets | Total |
|--|-----------------------|----------------------------------|---------------------------------|--------------------------|---------------|
| Balance 1 January 2006 | | | | | |
| 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 | 926 | 28,818 | 10,441 | 16,903 | 57,088 |
| Changes in carrying amount due to | | | | | |
| Acquisition of subsidiary company | - | 2 | 296 | 304 | 602 |
| Capital expenditure | - | 11,374 | 5,200 | 5,154 | 21,728 |
| Disposals | -45 | -701 | -847 | -341 | -1,934 |
| Depreciation | -28 | -10,114 | -5,573 | -4,477 | -20,192 |
| Currency translation differences | - | -3 | -1 | 13 | 9 |
| Sale of subsidiary companies | -653 | -503 | -171 | -197 | -1,524 |
| Balance | -726 | 55 | -1,096 | 456 | -1,311 |
| Carrying amount at 31 December 2006 | 200 | 28,873 | 9,345 | 17,359 | 55,777 |
| Breakdown of the carrying amount | | | | | |
| Cost | 549 | 100,450 | 70,285 | 58,686 | 229,970 |
| Accumulated depreciation and impairment | -349 | -71,577 | -60,940 | -41,327 | -174,193 |
| Carrying amount at 31 December 2006 | 200 | 28,873 | 9,345 | 17,359 | 55,777 |

An amount of € 6,071 from depreciation of property, plant and equipment has been recognised in the general and administrative expenses.

Lease payments of € 62.485 (2005: € 50.063) were recognised in the income statement relating to cars and lease of premises. An amount of € 667 from the carrying amount of Computers and peripherals was financed via financial lease.

5.33 Goodwill

| | 2006 | 2005 |
|---|----------------|----------------|
| Carrying amount in opening balance | 776,005 | 178,063 |
| Changes due to | | |
| Acquisition of subsidiary companies | 14,621 | 597,942 |
| Acquisition minority interests | 1,491 | – |
| Reclassifications | 8,665 | – |
| Acquisition of interests held by minority interest holders | 2,635 | – |
| Subsequent payment arrangement relating to previous acquisitions | 688 | – |
| Revision net assets and liabilities relating to acquisition of Solvus | 6,995 | – |
| Sale of subsidiary companies | -32 | – |
| Impairment | -9,900 | – |
| Total change | 25,163 | 597,942 |
| Carrying amount in closing balance | 801,168 | 776,005 |
| Cost | 811,068 | 776,005 |
| Impairment | -9,900 | – |
| Carrying amount at 31 December | 801,168 | 776,005 |

Reclassifications relate to adjustments of classifications from the previous year with respect to deferred income taxes (5.37) and software (5.34).

Goodwill was allocated to segments as follows:

| | 2006 | 2005 |
|---------------------|----------------|----------------|
| General Staffing | 362,020 | 295,617 |
| Specialist Staffing | 300,523 | 334,197 |
| Professionals | 103,143 | 102,489 |
| Other | 35,482 | 43,702 |
| | 801,168 | 776,005 |

In 2006 the cash generating units were reclassified to said segments. This caused a shift in Specialist and General Staffing segments.

5.34 Other intangible assets

| | Trade- marks and licences | Customer relation- ships | Software | Other | Total |
|--|---------------------------------|--------------------------------|---------------|------------|----------------|
| Balance at 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 due to | | | | | |
| 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 at 31 December 2005 | 43,774 | 82,255 | 15,781 | 49 | 141,859 |
| Breakdown of the carrying amount | | | | | |
| 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 |
| Balance at 1 January 2006 | | | | | |
| 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 | 43,774 | 82,255 | 15,781 | 49 | 141,859 |
| Changes in carrying amount due to | | | | | |
| Acquisition of subsidiary companies | – | 2,997 | 25 | – | 3,022 |
| Capital expenditure | – | – | 11,237 | 68 | 11,305 |
| Disposals | – | – | -1,590 | – | -1,590 |
| Amortisation | -4,854 | -11,056 | -5,720 | -76 | -21,706 |
| Impairment | -5,449 | – | – | – | -5,449 |
| Reclassifications | – | 557 | -4,713 | – | -4,156 |
| Balance | -10,303 | -7,502 | -761 | -8 | -18,574 |
| Carrying amount at 31 December 2006 | 33,471 | 74,753 | 15,020 | 41 | 123,285 |
| Breakdown of carrying amount | | | | | |
| Cost | 45,395 | 90,865 | 49,732 | 554 | 186,546 |
| Accumulated amortisation and impairment | -11,924 | -16,112 | -34,712 | -513 | -63,261 |
| Carrying amount at 31 December 2006 | 33,471 | 74,753 | 15,020 | 41 | 123,285 |

Amortisation on Trademarks and licences and Customer relationships is recognised in the selling expenses. Amortisation on Software and Other is recognised in the general and administrative expenses.

In 2006 impairment was recognised due to the discontinuation of the use of the Beaver brand in the Netherlands and Belgium.

Reclassifications relate to adjustments of classifications from the previous year with respect to Goodwill (5.33).

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 (goodwill, property, plant and equipment and intangible assets) of the given cash-generating units 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 rate before tax. This results in an implied discount rate before tax for the group of 11.16% per cash-generating unit.

Future cash flows are calculated on the basis of actual income of operations and a seven-year projection. The divergence from the five-year projection 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 projection, 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 in the countries where cash-generating units operate. As a result of the impairment test a downward revaluation of € 9.9 million took place with regards to the goodwill re. Telecom Direct Almere b.v.

5.36 Financial fixed assets

| | 2006 | 2005 |
|-------------------------------|--------------|--------------|
| Guarantees | 6,063 | 6,599 |
| Other non-current receivables | 530 | 478 |
| Minority interests held | 218 | 132 |
| Balance at 31 December | 6,811 | 7,209 |

5.37 Deferred income tax assets and liabilities

| | 2006 | 2005 |
|---|---------------|----------------|
| <i>Deferred income tax assets</i> | | |
| - Deferred income tax assets to be recovered after more than 12 months | 52,734 | 92,491 |
| - Deferred income tax assets to be recovered within 12 months | 16,143 | 13,214 |
| | 68,877 | 105,705 |
| <i>Deferred income tax liabilities</i> | | |
| - Deferred income tax liabilities to be recovered after more than 12 months | 38,835 | 47,238 |
| - Deferred income tax liabilities to be recovered within 12 months | 7,435 | 5,998 |
| | 46,270 | 53,236 |
| Deferred income tax assets (net) | 22,607 | 52,469 |

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| <i>Gross movements in deferred income taxes</i> | 2006 | 2005 |
|--|---------------|---------------|
| Balance at the start of the year | 52,469 | 76,890 |
| Movement to/from current taxes | -22,165 | 1,707 |
| Acquisition of subsidiary companies | -6 | 27,274 |
| Acquisition of trademarks and customer relationships | -887 | -44,548 |
| Disposal of subsidiary company | 52 | - |
| Taken to income statement | -5,982 | -1,780 |
| Taken to equity | -874 | -7,074 |
| Balance at 31 December | 22,607 | 52,469 |

The deferred income tax claims and liabilities consist of the following:

| <i>Deferred income tax assets</i> | 2006 | 2005 |
|-----------------------------------|---------------|----------------|
| Tax losses carried forward | 56,757 | 90,096 |
| Other | 12,120 | 15,609 |
| Balance at 31 December | 68,877 | 105,705 |

The other deferred income tax assets include timing differences for goodwill that may be amortised for tax purposes and temporised interest.

| <i>Deferred income tax liabilities</i> | 2006 | 2005 |
|--|---------------|---------------|
| Intangible assets | 27,492 | 37,305 |
| Convertible subordinated bond loan | 5,436 | 7,170 |
| Other | 13,342 | 8,761 |
| Balance at 31 December | 46,270 | 53,236 |

The other deferred income tax liabilities concern timing differences for matters including an insurance reserve for tax purposes, deductible goodwill and the asset for a defined benefit pension scheme.

| <i>Deferred income tax taken directly to equity</i> | 2006 | 2005 |
|---|------------|---------------|
| Movements in deferred income taxes in the equity component for the subordinated convertible bond loan | 874 | -7,342 |
| Related to initial application of IAS 32/39 (financial derivatives) | - | 268 |
| Balance at 31 December | 874 | -7,074 |

Movements in non-capitalised balance sheet items for available tax losses during the reporting year are as follows:

| <i>Contingent deferred income tax claims</i> | 2006 | 2005 |
|--|--------------|--------------|
| At 1 January | 9,388 | - |
| Movements during the year: | | |
| Additional non valued losses | 2,236 | 2,145 |
| Valuation of previously non valued losses | -2,433 | - |
| Additions from acquisitions | - | 7,243 |
| Balance at 31 December | 9,191 | 9,388 |

Additional non valued losses are losses that are not expected to be used for offset in the future. As a result of improved prospects, previously non valued losses are now recognised. An unforeseen gain was also realized that allowed for loss compensation.

5.38 Trade and other receivables

| | 2006 | 2005 |
|---------------------------|----------------|----------------|
| Trade receivables | 747,897 | 626,404 |
| Other current receivables | 10,894 | 17,504 |
| Accrued income | 11,088 | 21,126 |
| Balance at 31 December | 769,879 | 665,034 |

Trade receivables are stated net of an item for bad debts, to the amount of € 20,869 (2005: € 29,085). In 2006, the group charged a sum of € 4,310 (2005 € 9,587) against its income in connection with bad debts.

5.39 Cash and cash equivalents

| | 2006 | 2005 |
|---|---------------|---------------|
| Cash and cash equivalents at 31 December as per the balance sheet | 39,616 | 300,807 |
| Cash and cash equivalents accounted for in bank borrowings) ¹⁾ | -27,027 | -263,816 |
| Cash and cash equivalents accounted for in the cash flow statement | 12,589 | 36,991 |

¹⁾ Following the introduction of IAS 32/39 on 1 January 2005, the bank balances and overdrafts do not qualify for offset in the balance sheet.

Owing to guarantees, a sum of € 2,658 is not at the group's free disposal.

5.40 Equity

5.40.1 Share capital

Paid-up and called-up capital

| | Number of shares (x 1,000) | Paid-up and called-up | Share premium | Total |
|---|-------------------------------|-----------------------|----------------|----------------|
| Balance at 1 January 2005 | 22,688 | 22,688 | 69,407 | 92,095 |
| Issuance as a result of exercised option rights | 182 | 182 | 3,069 | 3,251 |
| Issuance of new shares | 8,614 | 8,614 | 221,386 | 230,000 |
| Costs of issuance of new shares | - | - | -5,595 | -5,595 |
| Balance at 31 December 2005 | 31,484 | 31,484 | 288,267 | 319,751 |
| Split 1:2 | 31,484 | - | - | - |
| Issuance as a result of exercised option rights | 150 | 75 | 754 | 829 |
| Balance at 31 December 2006 | 63,118 | 31,559 | 289,021 | 320,580 |

At year-end 2006, the group had 2,668 treasury shares in its portfolio.

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| | |
|---|---------------|
| Issued at 1 January 2005 | 22,688 |
| Issuance of new shares during 2005 | 8,614 |
| Issuance as a result of exercised option rights | 182 |
| Entitled to dividend at 31 December 2005/ Issued at 1 January 2006 | 31,484 |
| Issuance as a result of exercised option rights until the split | 33 |
| Split | 31,517 |
| Issuance as a result of exercised option rights after the split | 84 |
| Entitled to dividend at 31 December 2006 | 63,118 |

The authorised share capital at 31 December 2006 consisted of 192 million (2005: 96 million, pre-split) shares with a par value of € 0.50 each. On 13 October 2006, the shares in USG People N.V. were split according to a ratio of 1 to 2. This meant an adjustment in the par value per share from € 1.00 to € 0.50.

The holders of ordinary shares are entitled to dividend distributions to be declared periodically by the General Meeting of Shareholders. In addition, the shareholders have one vote per share at the Company's shareholder meetings. The Executive Board under the Articles of Association proposes to make a dividend of € 0.72 (2005: € 0.20 post-split) per share payable over 2006, and to charge that dividend against the reserves.

5.40.2 Share option plan and share plan

The movements in the numbers of option rights during 2006 can be summarised as follows:

| Year of issuance | Term | No. of participants | Issued | Outstanding at 1/1/2006 | Expired in 2006 | Exercised in 2006 | Outstanding at 31/12/2006 | Post-split | Exercise price (€) |
|------------------|---------|---------------------|---------|-------------------------|-----------------|-------------------|---------------------------|----------------|--------------------|
| 2001 | 5 Years | 183 | 69,447 | 6,871 | 602 | 6,269 | 0 | 0 | 10.85 |
| 2002 | 5 Years | 174 | 81,452 | 10,728 | 420 | 5,104 | 5,204 | 10,408 | 11.60 |
| 2003 | 5 Years | 454 | 93,338 | 36,703 | 6,552 | 22,442 | 7,709 | 15,418 | 4.58 |
| 2004 | 5 Years | 318 | 141,779 | 104,064 | 2,088 | 40,997 | 60,979 | 121,958 | 5.63 |
| | | | | 158,366 | 9,662 | 74,812 | 73,892 | 147,784 | |
| Post-split | | | | 316,732 | 19,324 | 149,624 | 147,784 | | |

No new option rights have been granted to employees since 2005. All outstanding option rights can be exercised immediately upon grant. As all outstanding option rights could be exercised at 1 January 2006, no costs have been recognised in the income statement in 2005 and 2006 in connection with those option rights.

In 2006, 149,624 option rights (post-split) were exercised, at an average exercise price of € 30.98. The total value of the option rights exercised was € 829 (2005: € 3,251).

The following share plans were in place at 31 December 2006:

| | Year of grant | Expiry | No. of participants | Conditionally granted in 2006 and outstanding at year-end 2006 | Average price for determining fair value |
|----------------|---------------|--------|---------------------|--|--|
| Key management | 2006 | 2008 | 6 | 131,000 | 31.93 |
| | 2006 | 2011 | 5 | 30,750 | 31.93 |
| Other | 2006 | 2008 | 100 | 121,682 | 30.33 |
| | 2006 | 2011 | 100 | 30,421 | 30.33 |

Management has not yet decided whether shares will be repurchased or whether new shares will be issued for this share plan.

The Unique Share Plan covers the period from 1 January 2005 until 1 January 2011. The initial grant will be effected after a period of 3 years, i.e. in May 2008.

The principal performance-linked criteria for the 2005, 2006 and 2007 financial years are:

- Over the period as a whole, the average growth in USG People's revenue must total 12.5%.
- The EBITA at year-end 2007 must be at least 6.5% of the revenue.
- Only if these two criteria are met will the grant be effected, assuming that the participant is still in the group's employment in May 2008.

Additional shares will also be granted in May 2011, if the participant has held the shares acquired in May 2008 until year-end 2010 and if the participant is still in USG People's employment at that time. The fair value is based on the exchange listing of the share in USG People N.V. when the share plan was effectively granted, taking into account expected future dividends (calculated in accordance with the group's dividend policy). The wage tax and social security premiums of the members of the Executive Board and the Executive Committee are for the Company's account.

5.40.3 Legal reserves

The legal reserve can be broken down as follows:

| | 2006 | 2005 |
|--|---------------|---------------|
| Equity component of the convertible subordinated bond loan | 14,716 | 13,842 |
| Share plan | 2,278 | – |
| Currency translation differences | -21 | – |
| | 16,973 | 13,842 |

5.40.4 Retained earnings

Distribution of the retained earnings is not subject to any restrictions other than those imposed by the law.

5.41 Earnings per share

The average earnings per share (post-split) in 2006 were € 1.76 (2005: € 0.43); the average earnings per share in 2006 (post-split) adjusted for dilution were € 1.63 (2005: € 0.39).

The calculation of the average earnings per share at 31 December 2006 is based on the net profit as available to the ordinary shareholders, to the amount of € 110,853 (2005: € 21,077), while the weighted average number of shares outstanding in 2006 (post-split) was 63,016 (2005: 49,796).

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5.41.1 Net earnings per share

The entire net profit of € 110,853 (2005: € 21,077) is at the disposal of the shareholders.

Weighted average number of ordinary shares

| <i>(x 1,000 shares)</i> | |
|---|---------------|
| Issued at 1 January 2005 | 22,687 |
| Issuance of new shares | 2,172 |
| Issuance as a result of exercised option rights | 39 |
| Weighted average number of ordinary shares during the year | 24,898 |
| Adjusted for post-split situation | 49,796 |
| | |
| Issued at 1 January 2006 | 31,484 |
| Issuance as a result of exercised option rights, pre-split | 20 |
| Split on 13 October 2006 | 31,504 |
| Issuance as a result of exercised option rights, post-split | 8 |
| Weighted average number of shares during the year | 63,016 |

5.41.2 Net earnings per share adjusted for dilution

The calculation of the average earnings per share (post-split) at 31 December 2006 of € 1.63 (2005: € 0.39) adjusted for dilution is based on the net earnings as at the disposal of the ordinary shareholders of € 110,853 (2005: € 21,077) plus the interest on the subordinated convertible bond loan and the weighted average number of shares outstanding in 2006 after dilution of 69,583 (2005: 28,266), as follows:

Net earnings at the disposal of the ordinary shareholders (adjusted for dilution)

| | 2006 | 2005 |
|--|----------------|---------------|
| Net earnings at the disposal of the ordinary shareholders | 110,853 | 21,077 |
| Effect of interest on convertible bonds after taxes | 2,570 | 877 |
| Net earnings at the disposal of the ordinary shareholders (adjusted for dilution) | 113,423 | 21,954 |

Weighted average number of ordinary shares (adjusted for dilution)

| <i>(x 1,000 shares)</i> | 2006 | 2005 |
|--|---------------|---------------|
| Weighted average number of shares | 63,016 | 24,898 |
| Effect of outstanding convertible bonds | 6,419 | 3,210 |
| Effect of outstanding option rights | 148 | 158 |
| Weighted average number of ordinary shares (adjusted for dilution) at 31 December | 69,583 | 28,266 |
| 2005, post-split | | 56,532 |

5.41.3 Dividend per share

The dividends paid out in 2006 and 2005 were € 12,602 (€ 0.20 per share, post-split) and € 9,084 (€ 0.20 per share, post-split), respectively. At the General Meeting of Shareholders on 26 April 2007, a dividend of € 0.72 per share will be proposed for 2006 (total dividend € 45,445). The dividend proposal has not been recognised in these financial statements.

5.42 Non-current interest-bearing borrowings and liabilities

This note comprises information on the terms of the contract of the non-current interest-bearing borrowings and liabilities. For more information on the interest and currency variation risks, see Notes 5.47 and 5.48.

| | 2006 | 2005 |
|--|----------------|----------------|
| Carrying amount of the non-current interest bearing borrowings and liabilities | 531,994 | 611,374 |
| Current portion of the borrowings | -194,579 | -176,102 |
| | 337,415 | 435,272 |

Conditions and redemption periods

| | Total | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
|--|----------------|----------------|---------------|----------------|-------------------|
| Convertible subordinated bond | 93,682 | 93,682 | – | – | – |
| Securitisation programme (EURIBOR + 0.76%) | 49,157 | 49,157 | – | – | – |
| Subordinated loan Start (4%) | 87,500 | 12,500 | 12,500 | 37,500 | 25,000 |
| Syndicated loan, tranche A | 296,786 | 36,516 | 36,637 | 223,633 | – |
| Other non-current credit facility (4.92%) | 4,000 | 2,000 | 2,000 | – | – |
| Financial lease liabilities | 869 | 724 | 145 | – | – |
| | 531,994 | 194,579 | 51,282 | 261,133 | 25,000 |

As security for bank borrowings, receivables up to a value of € 49 million (2005: € 47 million) have been encumbered as collateral.

5.42.1 Syndicated loan

| | 2006 | 2005 |
|--|----------------|----------------|
| Net revenues syndicated loan tranche A | 295,787 | 295,677 |
| Interest expenses | 15,378 | 1,563 |
| Interest paid | -14,379 | -1,453 |
| Carrying amount liability tranche A at 31 December | 296,786 | 295,787 |

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

On 17 November 2005 a syndicated credit facility totalling € 700 million was agreed for a period of 5 years. This facility comprises three separate sections:

- **Tranche A:** a € 300 million term loan, of which € 18.75 million payable half-yearly, to be repaid as from 17 May 2007 and the remainder (€ 150 million + € 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 € 215 million revolving credit facility, of which nothing was drawn as a loan on 31 December 2006 (2005: € 85.6 million).

Furthermore, € 100 million of this credit facility was reserved as a backstop facility for the commercial paper programme (see 5.45), which had not been drawn on 31 December 2006.

- **Tranche C:** € 185 million ancillary facilities available in the form of short-term credits and bank guarantees from the syndicate banks.

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

Tranche B is recognised under current liabilities (5.46).

Interest expenses and commitment fee

Interest expenses on the used syndicated credit facility are calculated on the basis of between 1- and 6-month EURIBOR (depending on the interest period selected) plus an interest margin, which during 2006 dropped from 110 to 85 base points. The effective interest on tranche A and tranche B in 2006 was 3.85% (2005: 3.45%). In 2006, € 240 was paid in commitment fees.

5.42.2 Convertible subordinated bond loan

| | 2006 | 2005 |
|---|---------------|---------------|
| Net revenue from issuance of subordinated convertible bond loan | – | 110,655 |
| Equity component of subordinated convertible bond loan | – | -20,460 |
| | – | 90,195 |
| Carrying amount at 1 January | 90,776 | – |
| Interest expense | 6,357 | 1,281 |
| Interest paid | -3,451 | -700 |
| Carrying amount at 31 December | 93,682 | 90,776 |

On 28 September 2005 the group issued a 7 year, subordinated bond for € 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 € 17.91. No conversions have been exercised to date. Coupon rate stands at 3.0% and is payable yearly at 18 October. Since 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 bank overdrafts and borrowings.

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

5.42.3 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 € 100 million was agreed with the past shareholder of Start Holding BV (subsidiary Company). This loan is to be repaid in 8 annual instalments (€ 12.5 million per year). The first instalment fell due on 5 March 2006, and the last falls due on 5 March 2013. The fixed

interest rate on this term loan is 4%.

- 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.

- Bond loan from USG People International N.V. (subsidiary company).

The existing bond for € 69 million, issued by USG People International N.V., was repaid in full on 11 September 2006. The fixed interest rate on this bond was 6%.

5.42.4 Financial lease obligations

The financial lease obligations fall due according to the following table:

| | 2006 | | | 2005 | | |
|------------------|------------|-----------|------------|--------------|------------|--------------|
| | Payments | Interest | Principal | Payments | Interest | Principal |
| 2-5 years | – | – | – | 126 | – | 126 |
| 1-2 years | 152 | 7 | 145 | 390 | 3 | 387 |
| Less than 1 year | 761 | 37 | 724 | 1,992 | 122 | 1,870 |
| | 913 | 44 | 869 | 2,508 | 125 | 2,383 |

Under the terms of the lease contracts there are no conditional lease payments due. Interest expenses due to financial lease obligations stand at 5.1% in 2006 (2005: 5.3%).

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

5.43 Retirement benefit receivables and obligations

The group contributes to a number of defined benefit pension plans providing pensions for employees on reaching retirement 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 trust exceed the actuarially required interest and there is surplus interest.

| <i>Retirement benefit obligations</i> | 2006 | 2005 |
|---|-------|-------|
| Present value of fully financed obligations | 4,732 | 8,399 |
| Fair value of fund investments | 3,610 | 3,976 |
| Net obligation | 1,122 | 4,423 |

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

| <i>Receivables under pension schemes</i> | 2006 | 2005 |
|---|--------|--------|
| The amounts presented in the balance sheet can be broken down as follows: | | |
| Present value of fully financed obligations | 77,309 | 82,788 |
| Fair value of fund investments | 89,115 | 87,311 |
| Net obligation | 11,806 | 4,523 |
| Unrealised actuarial gains and losses | -1,242 | 7,784 |
| Subtotal | 10,564 | 12,307 |
| Pension premiums yet to be paid | - | 735 |
| Receivable at the balance sheet date | 10,564 | 11,572 |

The pension receivable of € 10,564 (2005: € 11,572) at year-end 2006, recognised under other fixed assets, relates to the surplus of the pension plan of Start Netherlands (placed with Nationale Nederlanden).

5.43.1 Movements in pension obligations and investments

| | 2006 | 2005 |
|-----------------------------------|---------------|---------------|
| Obligations | | |
| Opening balance of pension scheme | 82,788 | 76,408 |
| Current service costs | 3,478 | 3,286 |
| Interest costs | 3,289 | 3,615 |
| Plan members' contribution | 95 | 117 |
| Actuarial gains and losses | -10,199 | 1,462 |
| Benefits paid | -1,135 | -1,113 |
| Expenses paid | -1,007 | -987 |
| Closing balance | 77,309 | 82,788 |
| Plan assets | | |
| Opening balance | 87,311 | 82,067 |
| Expected return on plan assets | 3,487 | 4,045 |
| Actuarial gains and losses | -1,173 | 1,461 |
| Employer contribution | 1,537 | 1,721 |
| Member contribution | 95 | 117 |
| Benefits paid | -1,135 | -1,113 |
| Expenses paid | -1,007 | -987 |
| Closing balance | 89,115 | 87,311 |

5.43.2 Costs as recognised in the income statement

| | 2006 | 2005 |
|--|--------------|--------------|
| Current service costs | 3,478 | 3,286 |
| Interest costs | 3,289 | 3,615 |
| Expected return on plan assets | -3,487 | -4,045 |
| Total, recognised under employee costs | 3,280 | 2,856 |

5.43.3 Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows (in weighted averages):

| | 2006 | 2005 |
|--|-------|-------|
| Discount rate at 31 December | 4.50% | 4.00% |
| Expected long-term rate of return on assets at 31 December | 4.25% | 4.00% |
| Future salary increases | 3.00% | 3.00% |
| Future pension increases | 0.00% | 0.00% |
| Future inflation | 2.00% | 2.00% |

The calculations of mortality rates at year-end 2006 and 2005 are based on GBM/V 1995-2000 (-2/-1).

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 2006 the spread of investments in regard to the contract was as follows:

| | Planned spread | Spread at 31/12/2006 |
|----------|----------------|----------------------|
| Equities | 20% | 22.6% |
| Bonds | 80% | 76.8% |
| Other | 0% | 0.6% |
| Total | 100% | 100% |

Because the information for three smaller defined benefit pension schemes is still incomplete, it was impossible to make actuarial calculations of the obligations under those schemes. These defined benefit schemes are presented in the financial statements as defined contribution pension schemes.

5.44 Other provisions

| | Reorganisation provision | Employee-related provisions | Other provisions | Total |
|--|--------------------------|-----------------------------|------------------|---------------|
| Balance at 1 January 2005 | 21,958 | 600 | 1,242 | 23,800 |
| For acquisitions of subsidiary companies | 2,492 | – | 2,880 | 5,372 |
| Added during the year | 18,440 | 464 | 2,013 | 20,917 |
| Withdrawn during the year | -13,821 | – | -198 | -14,019 |
| Released 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 |
| Balance at 1 January 2006 | 28,104 | 1,064 | 4,537 | 33,705 |
| Added during the year | 1,466 | 2,400 | 8,397 | 12,263 |
| Withdrawn during the year | -11,233 | -374 | -1,964 | -13,571 |
| Released during the year | -4,421 | – | -1,773 | -6,194 |
| Currency translation differences | – | – | 3 | 3 |
| Balance at 31 December 2006 | 13,916 | 3,090 | 9,200 | 26,206 |
| Non-current | 3,343 | 1,412 | 4,960 | 9,715 |
| Current | 10,573 | 1,678 | 4,240 | 16,491 |
| Balance at 31 December 2006 | 13,916 | 3,090 | 9,200 | 26,206 |

In 2005, reorganisation provisions were formed for the costs arising in connection with the combination of the Shared Service Centres in the countries where both the former USG companies and the former Solvus companies have operations. The non-current portion of the remaining reorganisation provision primarily concerns lease obligations for buildings that will no longer be used following that reorganisation (including the portion arising from the integration of USG and Start). During 2006, part of the reorganisation provision was released as less of the provision for staff redundancy was required and the lettability of vacant premises was reconsidered.

The employee-related provisions concern continued pay for employees on long-term sick leave, anniversary bonuses and payments upon termination of employment contracts for other reasons than retirement.

The other provisions include provisions for the settlement of a number of judicial proceedings.

5.45 Bank overdrafts and borrowings

| | 2006 | 2005 |
|---|----------------|----------------|
| Convertible subordinated bond | 93,682 | 90,776 |
| Commercial paper programs | 90,415 | 70,000 |
| Current part of non-current borrowings | 100,897 | 85,326 |
| Cash and cash equivalents recognised as bank overdrafts ¹⁾ | 27,027 | 263,816 |
| Other | 1,303 | 34,015 |
| | 313,324 | 543,933 |

¹⁾ Following the introduction of IAS 32/39 on 1 January 2005, the bank balances and overdrafts do not qualify for offset in the balance sheet.

USG People International NV has commercial paper programs with a number of banks to a total of € 100 million.

Under tranche B of the syndicated credit facility, € 100 million has been reserved as back stop to cover these programs. The borrowing expenses are based on short-term EURIBOR.

5.46 Trade and other payables

| | 2006 | 2005 |
|------------------|----------------|----------------|
| Trade payables | 55,472 | 51,227 |
| Other payables | 459,232 | 417,410 |
| Accrued expenses | 55,386 | 45,899 |
| | 570,090 | 514,536 |

5.47 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.


5.48 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.

5.48.1 Interest derivative concerning tranche A of the syndicated loan

To this end, the group has subscribed to a zero cost conditional cap for € 300 million to hedge the interest risk on tranche A of the syndicated credit, for 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% where 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% (excluding the margin) during the first three years and 4.34% (excluding the margin) during the two following years. Taking account of interest rates in the money and capital market at 31 December 2006, this interest hedging represents a negative unrealised (mark to market) value of € 191.

5.48.2 Other interest derivatives

- In 2004 complementary interest hedging was agreed on a notional amount of € 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-month EURIBOR (at year-end 2006 this amounted to 3.85%, 2005: 2.64%), and pays 6-months EURIBOR in arrears. The cap of the 6-month 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 an unrealised (mark to market) value of € 238.

- A € 2 million notional interest swap (type: convertible swap) was concluded that matures on 30 May 2008. If the 3-month EURIBOR is less than 4.5% per year, a rate of 3.45% is payable on the notional amount. If the 3-month EURIBOR is higher than 4.5% per year, the 3-month EURIBOR less 0.1% per year is payable. The Bank, conversely, pays the 3-month EURIBOR. At 31 December 2006, this interest swap represented a negative unrealised (mark to market) value of € 75.

- The interest swap on a notional amount of € 18.8 million was settled in December 2006.

5.49 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.

5.50 Fair value

| | 2006 | | 2005 | |
|------------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Convertible subordinated bond loan | 93,682 | 97,773 | 90,776 | 90,776 |
| Subordinated loan Start | 87,500 | 83,122 | 100,000 | 96,205 |
| Syndicated loan | 296,786 | 300,000 | 295,787 | 300,000 |
| Bond loan from USG People Int. NV | – | – | 68,956 | 68,956 |
| Total | 477,968 | 480,895 | 555,519 | 555,937 |
| Unrealised gains/losses | | -2,927 | | -418 |

Estimated fair value

The principal methods and assumptions used to estimate the fair values as shown in this table as summarised below.

- Interest-bearing borrowings and liabilities: Fair value is calculated on the basis of cash value of expected future cash flows due to redemptions and interest payments.
- Convertible subordinated bond loan: The fair value is based on listed trading prices.
- Fair value of lease obligations: The fair value is estimated on the basis of the cash value of future cash flows discounted at the interest rate for comparable lease contracts.
- Trade receivables, trade payables, other receivables and other payables: For current receivables and payables 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 rates as used to determine fair value: The group uses the effective return appropriate to its risk profile and the period of the financial instrument at the balance sheet date to discount its financial instruments. The following interest percentages are used:

| | 2006 | 2005 |
|--|-----------|-----------|
| Non-current borrowings and liabilities | 3.9%-4.1% | 4.1%-7.0% |

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.

5.51 Contingent liabilities

5.51.1 Operating lease

The amount for the year for third-party lease obligations for property and other leases and obligations totals approximately € 261,461 (2005: € 156,096). The duration of these obligations is as follows:

| | 2006 | 2005 |
|-------------------|----------------|----------------|
| Less than 1 year | 57,038 | 41,217 |
| 1-5 years | 113,495 | 85,171 |
| More than 5 years | 56,148 | 29,708 |
| | 226,681 | 156,096 |

The group leases a number of offices via operating lease constructions. The durations of the contracts vary between three and twelve years, with the option of renewal on termination.

5.51.2 Conditional obligations

In connection with the nature of the group's activities, bank guarantees have been issued amounting to € 69,054 (2005: € 59,241).

5.51.3 Contingent assets

USG People N.V. is party to an earn-out arrangement in connection with the disposal of Luzac in April 2006. USG People N.V. has a maximum entitlement to € 2 million if Luzac's results attain a particular level in 2009. No amounts are presented in the financial statements for this arrangement, since the amount of the earn-out is contingent upon Luzac's results in 2009.

5.52 Related parties

5.52.1 Remuneration of Key Management

| | 2006 | 2005 |
|---|--------------|--------------|
| Salaries and other short-term employee remuneration | 4,723 | 971 |
| Pensions | 463 | 140 |
| Share-based payments | 3,533 | 224 |
| Reimbursement of the Supervisory Board | 194 | 130 |
| | 8,913 | 1,465 |

As a result of the change to the Executive Board's structure, the remuneration of Key Management includes the remuneration of the entire Board of Management from 2006 onwards.

The share-based payments in 2006 consist of the portion of the costs of the Unique Share Plan allocated to 2006.

5.53 Subsidiaries and associates

5.53.1 Important subsidiaries

For a list of important subsidiaries and associates, please refer to Chapter 6.

5.54 Estimates and judgments on the part of management

Management 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.

5.54.1 Principal sources of estimation uncertainty

Note 5.35 contains information on assumptions and their risk factors in regard to impairment of goodwill. Note 5.47 states that the group only has limited vulnerability to shifts of foreign currency exchange rates.

5.54.2 Critical accounting estimates in the 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 impairments of goodwill

Every year, the group tests whether its goodwill has undergone any impairment, in accordance with the method described in 5.7. The recoverable amount of cash-generating units is based on calculations of the value in use. That value is calculated by discounting the expected future cash flows, using a discount rate that is derived from the weighted average costs of capital. An increase in that weighted average cost of capital by 20% would result in an impairment of € 6.7 million.

Taxes

The group is subject to income taxes in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, based in part on the timing of the realisation. 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, those differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6 Principal subsidiaries and associated companies of USG People N.V.

| Branch | Participating percentage | Domicile, Country |
|-----------------------------------|--------------------------|------------------------------|
| Call-IT | 100.00 | Ostend, Belgium |
| Express Medical | 100.00 | Braine l'Alleud, Belgium |
| Secretary Plus Management Support | 100.00 | Brussels, Belgium |
| Start People | 100.00 | Antwerp, Belgium |
| Unique | 100.00 | Antwerp, Belgium |
| Unique Receptel | 100.00 | Antwerp, Belgium |
| USG Innovativ | 100.00 | Antwerp, Belgium |
| USG People International | 100.00 | Antwerp, Belgium |
| Creyf's | 100.00 | Munich, Germany |
| Secretary Plus | 100.00 | Munich, Germany |
| Unique Personal | 100.00 | Munich, Germany |
| Creyf's Interim France | 100.00 | Boulogne Billancourt, France |
| Secretary Plus | 100.00 | Paris, France |
| USG Innovativ | 100.00 | Paris, France |
| Start People | 100.00 | Milan, Italy |
| Creyf's Interim | 100.00 | Luxembourg, Luxembourg |
| Ad Rem | 100.00 | Almere, Netherlands |
| Call-IT | 100.00 | Weert, Netherlands |
| Content Professionals | 100.00 | The Hague, Netherlands |
| Creyf's Interim | 100.00 | Den Bosch, Netherlands |
| Secretary Plus Management Support | 100.00 | Almere, Netherlands |
| StarJob | 100.00 | Leiderdorp, Netherlands |
| Start People | 100.00 | Almere, Netherlands |
| Technicum Uitzendburo | 100.00 | Almere, Netherlands |
| Unique Nederland | 100.00 | Almere, Netherlands |
| USG Capacity | 100.00 | Almere, Netherlands |
| USG Energy | 100.00 | Beverwijk, Netherlands |
| USG Innovativ | 100.00 | Almere, Netherlands |
| USG Restart | 100.00 | Almere, Netherlands |
| Utrechtse Juristen Groep | 100.00 | Utrecht, Netherlands |
| Creyf's Personalservice | 100.00 | Vienna, Austria |
| Creyf's Polska | 100.00 | Warsaw, Poland |
| Start People | 100.00 | Madrid, Spain |
| Unique Interim | 100.00 | Madrid, Spain |
| Start People | 100.00 | Geneva, Switzerland |

7 Corporate income statement

| | 2006 | 2005 |
|--------------------------------------|----------------|---------------|
| Result subsidiaries after taxes | 114,802 | 40,381 |
| Result from sales of subsidiaries | 17,847 | – |
| Results of USG People N.V. after tax | -21,796 | -19,304 |
| Net income | 110,853 | 21,077 |

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

| Note | Amounts x € 1,000 | 2006 | 2005 |
|------|-------------------------------|------------------|------------------|
| | Non-current assets | | |
| 9.3 | Goodwill | 717,510 | 697,079 |
| 9.4 | Property, plant and equipment | – | 16 |
| 9.5 | Financial fixed assets | 381,696 | 278,402 |
| | | 1,099,206 | 975,497 |
| | Current assets | | |
| | Receivables | 646 | 1,062 |
| | Taxes | 19,797 | 21,241 |
| | Cash and cash equivalents | 1 | 8,336 |
| | | 20,444 | 30,639 |
| | Total assets | 1,119,650 | 1,006,136 |
| 9.6 | Equity | | |
| | Paid-up and called-up capital | 31,559 | 31,484 |
| | Share premium | 289,021 | 288,267 |
| | Other reserves | 142,987 | 131,381 |
| | Retained earnings | 110,853 | 21,077 |
| | | 574,420 | 472,209 |
| 9.9 | Provisions | 7,333 | 8,315 |
| 9.7 | Non-current liabilities | 335,270 | 383,287 |
| 9.8 | Current liabilities | 202,627 | 142,325 |
| | Total liabilities | 1,119,650 | 1,006,136 |

9 Notes to the corporate income statement and balance sheet (before profit allocation)

9.1 General

9.1.1 Basis of presentation of the corporate financial statements

The separate 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 362(8), Book 2 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.

9.2 Accounting principles

The accounting principles for the separate financial statements are as for the consolidated financial statements. Unless further principles are mentioned, please 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 separate balance sheet concerns goodwill on directly acquired participating interests in group companies. Goodwill on indirectly acquired interests in group companies is capitalised at the level of the associated companies of USG People N.V. that acquire these interests and are included in the net asset value of those associated companies. Goodwill relating to direct interests in other associated companies in which significant control can be exercised is recognised as part of the acquisition price in the value of those associated companies.

Subsidiary companies

Participating interests in group companies and other companies in which 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 measuring the assets, provisions and liabilities and calculating the results according to the principles used in the consolidated financial statements.

9.3 Goodwill

| | 2006 | 2005 |
|---|---------|---------|
| Balance at 1 January | 697,079 | 99,137 |
| Movements as a result of takeover of subsidiary | 30,331 | 597,942 |
| Impairment | -9,900 | - |
| Balance at 31 December | 717,510 | 697,079 |

9.4 Property, plant and equipment

| | 2006 | 2005 |
|--|-----------|-----------|
| Balance at 1 January | | |
| Purchase price | 41 | 122 |
| Accumulated depreciation and impairments | 25 | 81 |
| Carrying amount at 1 January | 16 | 41 |
| Additions during the year | – | – |
| Amortisation during the year | 16 | 25 |
| Carrying amount at 31 December | – | 16 |
| Breakdown of the carrying amount | | |
| Purchase price | 122 | 122 |
| Accumulated depreciation and impairments | 122 | 106 |
| Carrying amount at 31 December | – | 16 |

9.5 Financial fixed assets

| | Receivables from group companies | Participating interests in group companies | Total |
|------------------------------------|----------------------------------|--|----------------|
| Balance at 1 January 2005 | 75,059 | 176,808 | 251,867 |
| Investments | 18,419 | -12,942 | 5,477 |
| Result from subsidiaries | – | 40,381 | 40,381 |
| Dividends from subsidiaries | – | -19,323 | -19,323 |
| | 18,419 | 8,116 | 26,535 |
| Balance at 31 December 2005 | 93,478 | 184,924 | 278,402 |
| Balance at 1 January 2006 | 93,478 | 184,924 | 278,402 |
| Investments | – | 2,968 | 2,968 |
| Disposals | -10,896 | -3,580 | -14,476 |
| Result from subsidiaries | – | 114,802 | 114,802 |
| | -10,896 | 114,190 | 103,294 |
| Balance at 31 December 2006 | 82,582 | 299,114 | 381,696 |

9.6 Equity

9.6.1 Paid-up and called-up capital

The authorised capital at 31 December 2006 was € 96,000,000, divided into 192,000,000 ordinary shares with a par value of € 0.50 each. At 31 December 2005, the authorised capital consisted of 96,000,000 ordinary shares with a par value of € 1.00 each.

| | Paid-up and called-up capital | Share premium reserve | Currency translation reserve | Other reserves | Retained earnings | Total |
|---|-------------------------------|-----------------------|------------------------------|----------------|-------------------|----------------|
| Balance at 1 January 2005 | 22,688 | 69,407 | – | 111,309 | 14,784 | 218,188 |
| Income for the year | – | – | – | – | 21,077 | 21,077 |
| Employee option rights exercised | 182 | 3,069 | – | – | – | 3,251 |
| Issuance of shares | 8,614 | 215,791 | – | – | – | 224,405 |
| Earnings added to other reserves | – | – | – | 5,700 | -5,700 | – |
| Dividend distribution | – | – | – | – | -9,084 | -9,084 |
| Equity component of convertible bond loan | – | – | – | 13,842 | – | 13,842 |
| Allocation to other reserves | – | – | – | 530 | – | 530 |
| Balance at 31 December 2005 | 31,484 | 288,267 | – | 131,381 | 21,077 | 472,209 |
| Balance at 1 January 2006 | 31,484 | 288,267 | – | 131,381 | 21,077 | 472,209 |
| Income for the year | – | – | – | – | 110,853 | 110,853 |
| Employee option rights exercised | 75 | 754 | – | – | – | 829 |
| Issuance of shares | – | – | – | 8,475 | -8,475 | – |
| Earnings added to other reserves | – | – | – | – | -12,602 | -12,602 |
| Dividend distribution | – | – | – | 874 | – | 874 |
| Currency translation differences | – | – | -21 | – | – | -21 |
| Share plan | – | – | – | 2,278 | – | 2,278 |
| Balance at 31 December 2006 | 31,559 | 289,021 | -21 | 143,008 | 110,853 | 574,420 |

9.7 Non-current liabilities

| | 2006 | 2005 |
|--|----------------|----------------|
| Value of the non-current interest-bearing borrowings and liabilities | 477,968 | 486,563 |
| Current part of non-current liabilities | -142,698 | -103,276 |
| | 335,270 | 383,287 |

| | Total | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
|------------------------------------|----------------|----------------|---------------|----------------|-------------------|
| Convertible subordinated bond loan | 93,682 | 93,682 | – | – | – |
| Subordinated loan from Start | 87,500 | 12,500 | 12,500 | 37,500 | 25,000 |
| Syndicated loan, tranche A | 296,786 | 36,516 | 36,637 | 223,633 | – |
| | 477,968 | 142,698 | 49,137 | 261,133 | 25,000 |

9.8 Current liabilities

| | 2006 | 2005 |
|----------------------------------|----------------|----------------|
| Bank overdrafts and borrowings | – | 13,298 |
| Current part of non-current debt | 142,698 | 103,276 |
| Trade and other payables | 11,011 | 16,151 |
| Debts to group companies | 48,727 | 5,431 |
| Interest derivatives | 191 | 4,169 |
| Balance at 31 December | 202,627 | 142,325 |

9.9 Provisions

| | 2006 | 2005 |
|---------------------------------------|--------------|--------------|
| Deferred income tax liabilities | 6,255 | 6,681 |
| Employee-related and other provisions | 1,078 | 1,634 |
| | 7,333 | 8,315 |

The provisions of € 1,078 (2005: € 1,634) have been formed for anniversary bonuses, continued pay for employees on long-term sick leave and severance pay.

9.10 Workforce

At year-end 2006, USG People N.V. had 48 (2005: 34) employees.

9.11 Liability

The Company forms a fiscal unity for corporation tax with most of its Dutch operating companies. Each of the operating companies is jointly and severally liable for the tax to be paid for all companies involved with the fiscal unity.

9.12 Remuneration of the Executive Board and the Supervisory Board

The remuneration paid to the members of the Company's Executive Board in 2005 and 2006 can be summarized as follows:

| | Fixed salary | Pension contribution | Variable remuneration Cash | Total |
|-----------------------|--------------|----------------------|----------------------------|-------|
| A.D. Mulder 2005 | 420 | 65 | 250 | 735 |
| R. Icke 2006 | 650 | 97 | 371 | 1,118 |
| R. Icke 2005 | 457 | 75 | 250 | 782 |
| R. Zandbergen 2006 | 455 | 68 | 371 | 894 |
| A. Dehaze 2006 | 520 | 78 | 371 | 969 |

9.12.1 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 9 May 2006. The Supervisory Board is authorised to determine remuneration and the substance of other conditions of employment, taking into account that policy.

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, taking into account the level of experience and the responsibilities of the relevant members of the Executive Board. The maximum variable part of the remuneration is 2 per mil of USG People N.V.'s EBITA, of which 1 per mil is linked to the EBITA realized and the growth in revenue compared with the budget determined in advance, while the other 1 per mil is calculated over the EBITA realised. The total bonus may be reduced if the DSO (days sales outstanding) target is not attained.

In addition to this short-term variable remuneration, the Executive Board has been awarded a long-term variable bonus (Unique Share Plan). That bonus consists of shares that will be granted to the members of the Executive Board if a series of conditions are met in 2008 regarding growth of revenue and realized profits. The members of the Executive Board will also receive 25% more shares in 2011 if at that time they still own the shares granted in 2008 and if they are still employed by USG People N.V. (see 9.12.3).

The contracts of the members of the Executive Board stipulate a notice period of six months. The maximum payment upon termination of an Executive Board member's employment contract is one annual salary, calculated on the fixed part of the remuneration. If the maximum of one annual salary is manifestly unreasonable, the director qualifies for a severance pay of up to two annual salaries.

9.12.2 Option rights

The table below shows the information regarding the option rights granted to the members of the Executive Board and the Supervisory Board:

| | Year | Balance at 1/1/2006 | Exercised in 2006 | Balance at 31/12/2006 | Post-split | Exercise price | Expiry date |
|--------------|------|---------------------|-------------------|-----------------------|---------------|----------------|-------------|
| A.D. Mulder | 2003 | 4,000 | 4,000 | 0 | | | |
| | 2004 | 10,000 | – | 10,000 | 20,000 | 5,63 | 10-5-2009 |
| Total | | 14,000 | 4,000 | 10,000 | 20,000 | | |
| R. Icke | 2003 | 4,000 | 4,000 | 0 | | | |
| | 2004 | 10,000 | – | 10,000 | 20,000 | 5,63 | 10-5-2009 |
| Total | | 14,000 | 4,000 | 10,000 | 20,000 | | |

The price upon exercise in 2006 was € 31.68. No new option rights were granted in 2006.

9.12.3 Share plan

In 2006, 104,000 shares were conditionally granted to the members of the Executive Board. The related costs are part of their variable remuneration. The conditions concern the attainment of growth of revenue and the realisation of profits. The calculation of the costs of the share plan in 2006 is based on a price of € 35.50 (post-split).

Number of shares Remuneration according to the share plan (conditional)

| | | |
|---------------|--------|-------|
| R. Icke | 60,000 | 1,629 |
| R. Zandbergen | 36,000 | 977 |
| A. Dehaze | 8,000 | 380 |

In 2005, A.D. Mulder and R. Icke were each unconditionally granted 2,500 shares at € 21.50 each.

9.12.4 Supervisory Board

The remuneration of the members of the Supervisory Board can be summarised as follows:

| | 2006 | 2005 |
|----------------------------------|------------|------------|
| Drs C.J. Brakel | 55 | 34 |
| Ch. Dumolin | 28 | – |
| Drs J.H. van Heijningen Nanninga | 42 | 24 |
| Mevr. Ir. M.E. van Lier Lels | 40 | 24 |
| A.D. Mulder | 23 | – |
| Prof. Dr. B. de Vries | 15 | 24 |
| Prof. Dr. M.H. Battaille | – | 24 |
| | 203 | 130 |

No option rights are granted to the Supervisory Board and no operating assets are made available to the Supervisory Board. No loans have been extended to the Supervisory Board and no guarantee commitments have been issued for the benefit of the members of the Supervisory Board.

10 Other information

10.1 Auditor's report

To the General Meeting of Shareholders, the Supervisory Board and the Executive Board of USG People N.V.

Audit opinion

Report on the financial statements

We have audited the accompanying financial statements 2006 of USG People N.V., Amsterdam as set out on 91 to 141. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated income statement 2006, balance sheet at 31 December 2006, statement of changes in shareholders' equity 2006 and cash flow statement 2006, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company income statement 2006, the company balance sheet at 31 December 2006 and the notes.

The Executive Board's responsibility

The Executive Board of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 USG People N.V. as at 31 December 2006, and of its result and its cash flows in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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 USG People N.V. as at 31 December 2006, and of its result in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report from the Executive Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 6 March 2007

PricewaterhouseCoopers Accountants N.V.

drs. R. Swaak RA

10.2 Profit appropriation according to the Articles of Association

Article 29. Profit and loss

29.1 From profit realised in the most recent 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 dividends to shareholders from reserves not required by law at the Executive Board's proposal to the shareholders, duly approved by the Supervisory Board.

29.4 Dividends may only be paid on shares 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 Subject to the prior approval of the Supervisory Board, the Executive Board is authorised to pay interim dividends, with due consideration to the stipulations of Section 105, Book 2 of the Dutch Civil Code.

30.4 At the proposal of the Executive Board, and subject to the prior approval of the Supervisory Board, the General Meeting of Shareholders may decide that dividends shall be paid wholly or in part in the form of shares in the capital of the Company.

30.5 Deficits may only be offset against the reserves required by law insofar such is permitted by law.

10.3 Profit appropriation

The Executive Board proposes using the profit of € 110,853 to distribute a dividend € 45,445 (per ordinary share, in cash or in shares; for 63,117,700 shares, this translates as € 0.72 per share) and to add the remainder (€ 65,408) to the other reserves.

| | 2006 ¹⁾ | 2005 ¹⁾ | 2004 ¹⁾ |
|---|--------------------|--------------------|--------------------|
| Consolidated income statement | | | |
| Net revenue | 3,536,836 | 1,977,609 | 1,300,250 |
| Percentage growth on preceding year | 78.8% | 52.1% | 0.2% |
| Operating income | 194,206 | 64,185 | 36,867 |
| Percentage growth on preceding year | 202.6% | 74.1% | -6.7% |
| As percentage of net revenue | 5.5% | 3.2% | 2.8% |
| Income from ordinary activities after tax | 110,853 | 21,077 | 24,189 |
| Net income | 110,853 | 21,077 | 24,189 |
| Percentage growth on preceding year | 425.9% | -12.9% | 63.7% |
| As percentage of net revenue | 3.1% | 1.1% | 1.9 |
| Operating cash flow | 161,247 | 114,974 | 46,927 |
| Dividend | 45,445 | 12,593 | 9,075 |
| Dividend/net profit | 41.0% | 59.7% | 37.5% |
| Consolidated balance sheet | | | |
| Non-current assets | 1,066,482 | 1,099,438 | 309,868 |
| Working capital (including cash and cash equivalents) | -96,411 | -123,765 | 44,009 |
| | 970,071 | 975,673 | 353,877 |
| Equity | 574,420 | 472,209 | 218,771 |
| Minority interest | 1,129 | 2,264 | 385 |
| Non-current liabilities | 394,522 | 501,200 | 134,721 |
| | 970,071 | 975,673 | 353,877 |
| Other key figures | | | |
| Equity/total equity | 30.2% | 22.9% | 36.2% |
| Equity/capital invested | 43.4% | 31.1% | 55.6% |
| Current assets/current liabilities | 0.90 | 0.89 | 1.18 |
| Total shares at 31 December | 63,117,700 | 62,969,532 | 45,376,634 |
| Per share (par value of € 0.50) in euros | | | |
| Net income ³⁾ | 1.76 | 0.43 | 0.54 |
| Dividend | 0.72 | 0.20 | 0.20 |
| Equity | 9.12 | 7.50 | 4.82 |
| Operating cash flow ³⁾ | 2.56 | 2.31 | 1.04 |

¹⁾ According to IFRS

²⁾ According to Dutch GAAP

³⁾ As from 2002 based on average total shares in issue

Ten-year overview

| 2004 ²⁾ | 2003 ²⁾ | 2002 ²⁾ | 2001 ²⁾ | 2000 ²⁾ | 1999 ²⁾ | 1998 ²⁾ | 1997 ²⁾ |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1,300,250 | 1,297,800 | 1,104,527 | 600,402 | 517,969 | 446,794 | 367,552 | 284,108 |
| 0.2% | 17.5% | 84.0% | 15.9% | 15.9% | 21.6% | 29.4% | 26.6% |
| 13,203 | 39,514 | 59,435 | 66,542 | 59,782 | 46,045 | 37,159 | 26,259 |
| -66.6% | -33.5% | -10.7% | 11.3% | 29.8% | 23.9% | 41.5% | 36.2% |
| 1.0% | 3.0% | 5.4% | 11.1% | 11.5% | 10.3% | 10.1% | 9.2% |
| 14,784 | 14,781 | 31,760 | 39,080 | 36,661 | 30,494 | 24,647 | 18,824 |
| 14,784 | 14,709 | 24,828 | 39,080 | 36,661 | 30,494 | 24,083 | 18,472 |
| 0.5% | -40.8% | -36.5% | 6.6% | 20.2% | 26.6% | 30.4% | 33.2% |
| 1.1% | 1.1% | 2.2% | 6.5% | 7.1% | 6.8% | 6.6% | 6.5% |
| 39,162 | 74,580 | 49,112 | 38,554 | 42,437 | 27,109 | 25,891 | 21,392 |
| 9,075 | 9,074 | 11,342 | 13,124 | 12,208 | 10,192 | 8,027 | 6,131 |
| 61.4% | 61.7% | 45.7% | 33.6% | 33.3% | 33.2% | 33.3% | 33.2% |
| 278,724 | 311,331 | 277,848 | 183,722 | 111,524 | 66,214 | 13,036 | 8,673 |
| 63,883 | 76,166 | 90,276 | 49,201 | 5,425 | 8,551 | 13,010 | 17,820 |
| 342,607 | 387,497 | 368,124 | 232,923 | 116,949 | 74,765 | 26,046 | 26,493 |
| 200,057 | 194,468 | 191,563 | 122,953 | 86,129 | 51,450 | 23,891 | 24,180 |
| 385 | 178 | 49,544 | | | | | |
| 142,165 | 192,851 | 127,017 | 109,970 | 30,820 | 23,315 | 2,155 | 2,313 |
| 342,607 | 387,497 | 368,124 | 232,923 | 116,949 | 74,765 | 26,046 | 26,493 |
| 34.4% | 30.4% | 30.5% | 33.5% | 37.9% | 31.6% | 23.3% | 33.9% |
| 52.0% | 46.0% | 45.3% | 48.3% | 65.0% | 64.3% | 78.1% | 84.4% |
| 1.27 | 1.30 | 1.35 | 1.37 | 1.05 | 1.10 | 1.17 | 1.40 |
| 45,376,634 | 45,370,704 | 45,368,604 | 40,381,836 | 39,381,838 | 38,461,000 | 37,947,624 | 34,642,910 |
| 0.33 | 0.33 | 0.57 | 0.97 | 0.93 | 0.79 | 0.68 | 0.54 |
| 0.20 | 0.20 | 0.25 | 0.33 | 0.31 | 0.27 | 0.21 | 0.18 |
| 4.41 | 4.29 | 4.39 | 3.05 | 2.19 | 1.34 | 0.68 | 0.70 |
| 0.87 | 1.65 | 1.13 | 0.96 | 1.08 | 0.71 | 0.68 | 0.62 |

Convertible bond

Trustee 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.

As a result of the 2 for 1 share split on 13 October 2006 the nominal value of the shares has changed from EUR 1.00 to EUR 0.50.

Consequently the conversion price has changed from EUR 35.83 to EUR 17.91 per share.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on 18 October 2012. Until 11 October 2012 the bonds are convertible into ordinary shares USG People N.V. of € 0.50 nominal value at a conversion price of € 17.91, subject to adjustment in accordance with the provisions of the trust deed.

During the year 2006 no bonds have been redeemed, purchased and cancelled or offered for conversion. As a result, the outstanding amount of the bonds per 31 December 2006 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, 7 February 2007

N.V. Algemeen Nederlands Trustkantoor ANT

L.J.J.M. Lutz

Financial glossary

Dividend:

That part of profit paid out to shareholders.

Ebita:

(Earnings before interest, taxes and amortisation). Operating result before amortisation.

Ebitda:

Operating result before depreciation and 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.

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 margin:

Operating profit as percentage of net revenue.

Operating profit:

Operating profit before amortisation of intangible assets and before extraordinary gains and losses.

Operating expenses:

Indirect operating expenses excluding extraordinary gains and losses and excluding amortisation of intangible fixed assets.

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For many USG People brands the year 2006 was marked by changes in logos and house styles. This annual report takes as its theme the photography as component of these changes in house style.

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