usg people

Open and involved, putting people first

2007 annual report

Forward looking statement

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

The annual report is available in Dutch and English. In the event of ambiguities, the Dutch text shall prevail.

Open and involved, putting people first

Hans Coffeng (EVP), Rob Zandbergen (CFO), Eric de Jong (EVP), Leo Houwen (CVP), Ron Icke (CEO), Albert Jan Jongsma (CVP), Evamaria de Boer (CVP), Albert Klene (EVP)

Preface to the reader

When we announced the acquisition of Solvus three years ago, we were asked what synergy benefits and economies of scale were to be expected. In response, we forecast that the combined company would approach the 4 billion euro revenue mark within three years and – more daringly – that the operating margin would rise to 6.5%.

Looking back on the 2007 reporting year we are pleased to say that we have realised both these ambitions. Revenue rose to 3.9 billion euro and the margin to 6.7%. EBITA equalled 260 million euro and net income 140 million, with net earnings per share rising to € 2.21.

A recent international study carried out by Accenture showed that USG People is among the not quite 10 pct of the largest 6,000 listed companies that can call themselves a high performance business. We owe this distinction to our results and outlook for the future. Something to be truly proud of.

USG People meets four important conditions for high performance businesses. The first is a sharp focus and a leading market position. Focus is guaranteed by our multibrand strategy, which enables us to know better than anyone else who our clients and candidates are. As regards market position, suffice to say that we are number two in the Benelux in terms of overall activities and market leader in specific markets for specialist temporary employment and secondment. This means our strategic target to increase the geographical spread of our activities is on track.

The second condition concerns unique skills that provide a competitive edge. In our case, these skills are primarily the strength and speed at which we integrate acquisitions into the rest of the group and at the same time successfully

expand our market position. The third condition concerns corporate culture and operational excellence. You will find plenty about our culture in this annual report as it is perhaps the most important pillar of our success. Operational excellence at USG People mainly finds expression in the way we have implemented our multibrand strategy and how our employees focus on achieving USG People's business targets.

The final condition concerns investment in growth, both organic and through acquisitions. USG People has a consistent track record in both respects. Organic growth should always be profitable growth. With respect to acquisitions, the takeovers of both Start in 2002 and Solvus in 2005 led to a clear improvement.

The outcome of the survey shows that USG People is on the right track. However, it is important to realise that the world around us is constantly changing and that our success is dependent on how quickly we can adapt in this dynamic environment. That means that USG People will have to continue to perform well and, in some areas, even improve.

We have every confidence we will do just that in 2008, given that we have an asset which is of decisive importance in this people-based business. In the past year, the loyalty and innovative strength of our 8,850 corporate staff and 170,000 flex workers once again enabled us to integrate our activities more rapidly than expected, to keep all areas under control and to develop sufficient management talent to stay on top of our increasingly complex organization and market presence. And – at least as importantly – together we were able to supply a product to meet the needs of our clients. All these factors combine to ensure that USG People can look forward to another profitable year in 2008.

This year we decided to change the way we present the annual report and give our employees a chance to share their thoughts. For instance, on how they experience working in a multibrand environment, what their goals are and how integration has progressed since the acquisition of Solvus in 2005. Their take on the events that defined 2007 is supported by illustrative photographs and campaign images from various operating companies.

So it is with pride that I wish to thank all our corporate employees for their creative and enterprising contribution to an extremely successful year, thank our flex workers for their efforts and thank our clients and shareholders for the trust they place in USG People.

Ron Icke, *Chief Executive Officer*

usg people

Our logo

Open, involved and putting people first. Our logo symbolises our principles and ambitions. Whether we are dealing with flex workers or our own personnel, we aim to bring out the best in everyone – everyday, throughout their career. Our clients trust us to provide services that go beyond the ordinary and count on our continuous commitment. The result of our efforts is a successful balance between meeting our clients' objectives and stimulating candidates to achieve their own personal ambitions. In this way, we set an example to the corporate sector and society at large. Our logo symbolises these principles.

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Key figures

In thousands of euros unless otherwise stated	2007	2006
Net revenue	3,887,681	3,536,836
EBITA	260,067	206,244
Operating income	243,859	194,206
Amortisation and impairment of intangible assets	21,102	27,155
Depreciation of property. plant and equipment	18,766	20,192
Operating cash flow	201,389	157,344
Net income	140,011	110,853
Dividend	51,581	45,445
Equity	684,684	574,420
Investment in intangible assets	12,043	11,305
Investment in property. plant and equipment	31,326	21,728
Stock market value at year-end	1,181,896	2,089,827
Total number of shares issued*	63,679,719	63,117,701
Average number of employees		
indirect personnel	8,685	8,251
direct personnel	112,341	105,561
Number of branches	1,595	1,496
Ratios expressed as percentages		
EBITA	6.7%	5.8%
Operating income / net revenue	6.3%	5.5%
Net income / net revenue	3.6%	3.1%
Profit distributed / net income	36.8%	41.0%
Equity / total assets	34.9%	30.2%
Per share in euros		
(based on total number of shares issued at year-end)		
Net income	2.20	1.76
Operating cash flow	3.16	2.62
Dividend	0.81	0.72
Equity	10.75	9.10
Share price at year-end	18.56	33.11
Highest share price	37.10	36.33
Lowest share price	15.77	18.20

General information on the share and financial calendar

Stock market listing
The ordinary shares of USG People are listed on Euronext Amsterdam and were included in the Amsterdam Midkap Index (AMX) in 2007. Options on USG People shares have been traded on Euronext Amsterdam since 7 February 2007.

Share capital
At the end of 2007 the number of USG People ordinary shares outstanding was 63,679,719. In 2007 the number of shares outstanding rose by 562,018, largely due to the distribution of a stock dividend and the issue of employee share options. In addition, one bond was presented for conversion, raising the number by 56. Furthermore, 200,000 shares were repurchased to cover a performance-based share bonus plan for employees. These shares are being held in deposit for issue in 2008.

Outstanding shares	Number	Nominal value (€)
31 december 2006		
Ordinary shares	63,117,701	0.50
Option rights granted to employees	147,784	0.50
Conversion rights attached to bond	6,419,202	0.50
Changes in 2007		
Distributed stock dividend	481,326	0.50
Issued for employee share options	80,636	0.50
Conversion of covertible bond	56	0.50
31 december 2007		
Ordinary shares	63,679,719	0.50
Option rights granted to employees	83,176	0.50
Conversion rights attached to bond	6,419,146	0.50

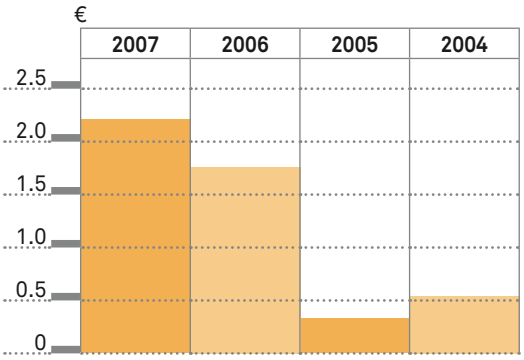
The number of shares in free float increased in 2007 due to the sale of a 12.5% interest by Mr. A.D. Mulder, founder of USG People. As a result, Mr. A.D. Mulder's interest decreased from 30% at the end of 2006 to 17.4% (11 million shares). After the sale, 82.6% of the shares are in free float.

Issue of shares
Every year the General Meeting of Shareholders is requested to extend the period for which the Executive Board is designated as the body authorised to take decisions – subject to the approval of the Supervisory Board and in accordance with the stipulations of the Articles of Association and legal provisions – regarding the issue of shares and the limitation or exclusion of legal preferential rights for a period of 18 months from the date of the General Meeting of Shareholders. The request for extension of the period for which the Executive Board is designated as the authorised body as stated above is a possibility which is expressly provided by law and is enshrined in the Articles of Association. The Executive Board may only exercise this authority with the approval of the Supervisory Board and shall only do so where this is in the best interests of the company. This authority relates 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 of shares outstanding, amounted to € 2.21 in 2007.

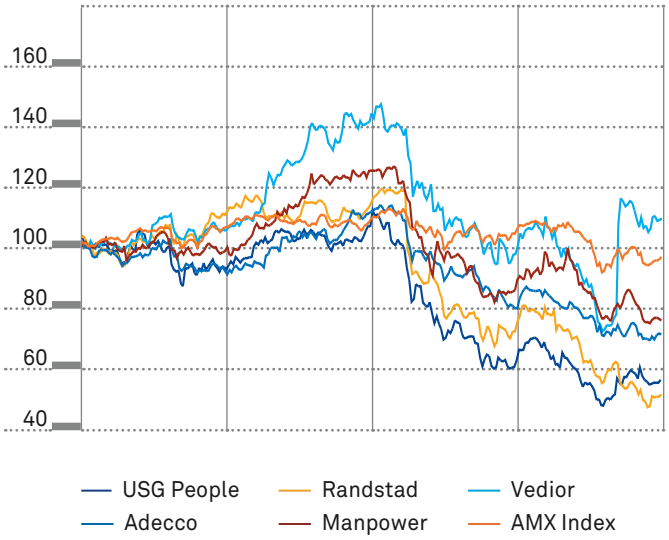
2007	2006	2005	2004
€ 2.21	€ 1.76	€ 0.33	€ 0.54

Earnings per share have grown strongly since 2005 and growth in 2007 was more than 25% compared to 2006.



Share price and volume development
USG People achieved record sales and results in 2007. It was a turbulent year on the stock market and the USG People share was not immune to this. The main reason was adjusted growth forecasts for the European staffing markets. Another reason was the US mortgage market crisis, which led to a great deal of uncertainty on the financial markets. For USG People it was particularly the lower growth forecasts for the Netherlands and Belgium that affected share price development. Forecasts for other countries were also lower than the exceptionally high growth levels seen in the previous period.

Share price development of USG People in 2007 compared versus Amsterdam Midkap index (AMX) and peers



The USG People share reached its highest closing price of € 37.10 early July, after which the price fell sharply as a result of adjusted growth forecasts in the quarterly reports of staffing organizations and lower reported market growth by Dutch and Belgian industry organizations ABU and Federgon. Staffing organizations were dealt a blow on the stock market and prices nearly halved. The USG People share price hit a low of € 15.77 at the end of November. The share price regained some ground in the final weeks of 2007 and the closing price at the end of the year was € 18.56.
Trading volumes grew strongly in 2007 compared to 2006. Some 168 million shares were traded in 2007, good for a trading volume of € 4.4 billion in USG People shares.

Trading volumes	2007	2006	2005	2004
Number of shares in millions	168	114	54	14
Trading volumes in million euro	4,410	3,255	695	221

USG People ranked fourth among AMX shares in terms of trading volume in 2007.

Information per share based on average number of shares

	2007	2006	2005	2004
Operating cash flow	3.18	2.50	2.31	1.04
Net income	2.21	1.76	0.33	0.54
Dividend	0.81	0.72	0.20	0.20
Dividend / net income (%)	37%	41%	61%	37%

Disclosure of major holdings
Under the Dutch Act on the Disclosure of Major Holdings in Listed Companies, the following interests were declared:

Hovu Beheer N.V.	17.4%

Shareholdings of Executive Board members

Ron Icke	
Shares	5,000
Options	20,000

Shareholdings of Supervisory Board members

Alex Mulder	
Shares	11,013,598
Options	20,000
Christian Dumolin	
Shares	105,000

Dividend policy
The objective of the dividend policy is a dividend payout of approximately one-third of net profit before amortisation, adjusted for tax. It is determined annually whether the dividend will be offered in cash or fully in shares chargeable to the share premium reserve or against other reserves.

Investor relations
USG People seeks to enhance transparency and be accessible to shareholders and institutional and retail investors. The objective is to enable investors as much as possible to make a fair assumption of the value of the company and the attractiveness of the share.

These investor relations efforts are aimed at increasing the visibility and active interest in the USG People share for a broad group of investors. This has contributed to a strong growth in trading in USG People shares in recent years. The number of shares traded grew more than 47% in 2007. USG People aims to achieve an effective spread of its shares, being an attractive partner to both institutional and retail investors.

Meetings and roadshows are organised to promote clear communication to investors, analysts and the financial media. Each quarter the publication of the earnings results is accompanied by an analysts' meeting or conference call and a press conference, and the members of the Executive Board take part in conferences and roadshows. These gatherings provide the opportunity to be in contact with many investors and complement our communication through the website and other media.

During the course of 2007 three analysts' meetings were held to expand on the 2006 annual earnings as well as the results achieved in the first three quarters of 2007. These gatherings were also accessible via webcasting on the USG People website. To enhance direct contact with shareholders and investors in 2007, roadshows and conferences were organised in the Benelux, Great Britain, Ireland, France, Germany, Italy, Switzerland, Austria, Scandinavia, the United States and Canada.

The number of media contacts and analysts covering our company grew further in 2007. USG People is currently followed by about 15 analysts representing most major brokers and brokerage firms.

Minimise stress, maximise success

A practical guide for managers.
Very calm. Very Unique.

unique multilingual services

From the collection
Unique KnowHow Pockets

Unique know-how Unique gladly shares its know-how on work-related matters. One way is by issuing free pocket books with information important for both employers and employees. Unique also arranges workshops and breakfast seminars on these subjects particularly for employers.

Financial calendar

29 April 2008
Publication of first-quarter 2008 results (before start of trading)
Analysts' conference call on first quarter results
Annual General Meeting of Shareholders

2 May 2008
USG People share quoted ex-dividend 2007

6 May 2008
Record date

2 – 19 May 2008
Option period for stating preference for stock or cash dividend

20 May 2008
Determination of stock dividend exchange ratio (after market closes)

23 May 2008
Dividend payable

24 July 2008
Publication of second-quarter 2008 results (before market opens)
Analysts' meeting and press conference on second-quarter results

28 October 2008
Publication of third-quarter 2008 results (before market opens)
Analysts' meeting and press conference on third-quarter results

4 March 2009
Publication of fourth-quarter and 2008 annual results (before market opens)
Analysts' meeting and press conference on annual results

21 April 2009
Publication of first-quarter 2009 results (before market opens)
Analysts' meeting on first quarter results
Annual General Meeting of Shareholders

Contact investor relations
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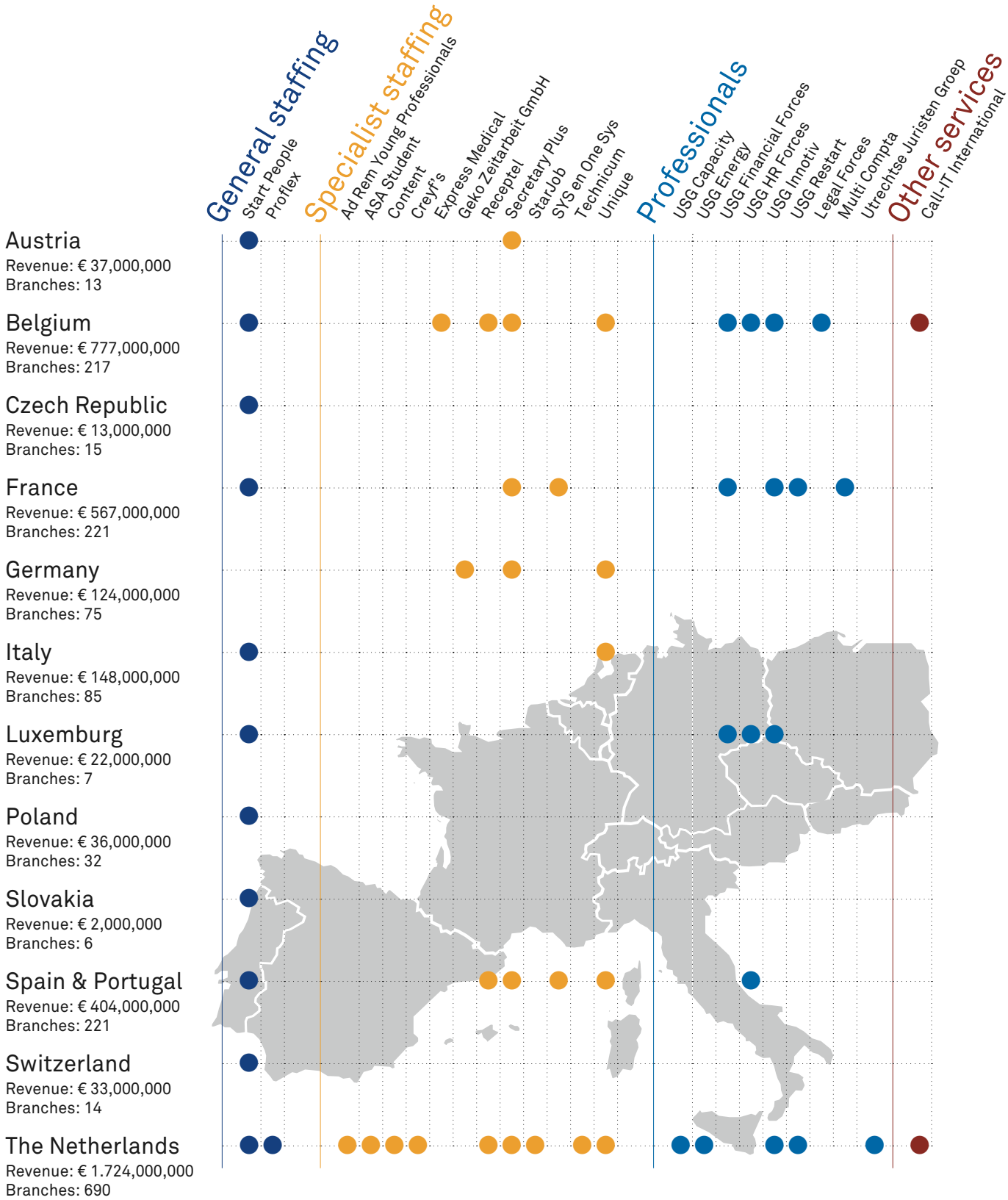
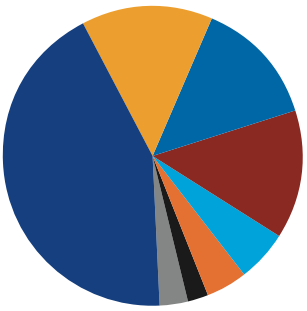
Intermediary of the year Cécile Reulen was named '2007 Intermediary of the Year'. The award is an initiative of staffing industry organizations ARTRA, ABU, NBBU and Flexmarkt. Cecile Reulen is a senior intermediary for Content in Maastricht. The award was presented by Gün Ozkara, an intermediary for Unique Uitzendburo who won the award in 2006.



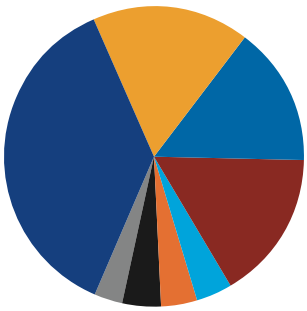
3.9 billion revenue **170,000** flex workers at work every day **8,685** corporate staff (fte) **1972** established in The Netherlands **1,600** branches **24** operating brands

Number of branches by region



690	The Netherlands
224	Belgium and Luxemburg
220	France
221	Spain and Portugal
85	Italy
75	Germany
32	Poland
48	Other countries

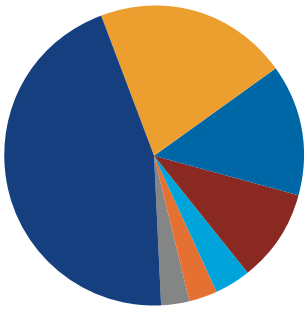
Number of flex workers by region



x 1.000

63	The Netherlands
30	Belgium and Luxemburg
25	France
26	Spain and Portugal
7	Italy
7	Germany
6	Poland
6	Other countries

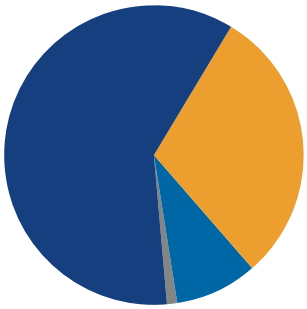
Revenue by region



%

44	The Netherlands
21	Belgium and Luxemburg
15	France
10	Spain and Portugal
4	Italy
3	Germany
3	Other countries

Revenue by segment



%

60	General staffing
30	Specialist staffing
9	Professionals
1	Other services

13 countries **4** activities: General staffing; Specialist staffing; Professionals; Other services **Top 5** European player in staffing, secondment and HR-solutions

market your career #1

live your brand

Natuurlijk weet je als marketing- of communicatieprofessional dat je een merk moet laten 'ademen' om het succesvol te maken. Maar denk je ook op die manier als het om het belangrijkste 'merk' ter wereld gaat: namelijk jijzelf? Want hoe werk jij je 'eigen merk' uit als het om jouw carrière gaat? Geloof je in jezelf en voer je dat door tot in detail of wordt het tijd dat eens kritisch te bekijken? USG Capacity laat jouw 'merk' leven. Want USG Capacity werft, selecteert en bemiddelt professionals in marketing en communicatie.

usg capacity
voor marketing- en communicatieprofessionals

expandyourcapacity.nl

USG Capacity and your career USG Capacity, the specialist in the field of marketing and communication professionals, launched an image campaign in 2007 under the motto: *Market your career*. The central idea was to use your expertise to keep your career on track.

Profile

USG People is active through a large number of strong brands that jointly provide one-stop solutions in the field of staffing, secondment and HR and customer care services. The core activities are flexible employment (both general and specialist), HR services and customer care services. With an annual turnover of 3.9 billion euros, USG People ranks fifth in Europe. The group is listed on the NYSE Euronext Amsterdam stock exchange. The main entrepreneurial tasks lie with the management and staff of the operating companies, and services and market approach are based on the professional discipline and level of education and training concerned.

Mission
USG People provides all types of flexible employment solutions and a wide range of services in the field of human resources and customer care. This wide array of services meets the demand for diversity in the services we provide. As a provider of knowledge and capacity, USG People is focused on quality, growth and profitability.

Vision
With people at the heart of our organization, USG People aims to position the right talent in the right place. We view this as the driving force for all our employees to give their very best. The ability to stand out as an organization is largely determined by the creativity, efforts and commitment of its employees.

Strategic objectives
- Strengthening of our multibrand strategy, with a healthy balance between general and specialist staffing services;
- Further revenue growth, both organic and through acquisitions. The main emphasis for takeovers in the Benelux will be on specialist services, elsewhere it will also be on acquiring scale;
- Constant focus on attracting and retaining the best candidates for our clients;
- Ongoing development of new technologies aimed at enhancing the services we provide and optimising distribution channels;
- Ongoing professionalisation of our internal organization with a clear focus on staff.

High Performance Business USG People is one of fewer than ten percent of the 6,000 major listed companies in the world that qualify as high performance businesses, according to a recent global survey by Accenture into the performance of publicly listed companies in the period 2000-2006.

startpeople werkt voor iedereen

'Start People works for everyone' In the Netherlands Start Uitzendbureau was rebranded Start People. The campaign entitled 'Start People works for everyone' highlights its unique approach to the job market based on recognizable situations.

Our multibrand strategy

USG People distinguishes itself through its detailed multibrand strategy. This approach to the market is geared towards letting brands with a strong identity and position in specific market segments flourish side by side, while at the same time merging the support services to improve efficiency. USG People's brand portfolio consists of 24 brands, each with its own position and gateway to its own market segment. These brands are easily recognisable to clients and candidates, and are a visible part of USG People.

In 2007 major follow-up steps were taken to further streamline the brand portfolio and make it more transparent.

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. In Europe we have chosen to use one international brand: Start People. The name Start People was chosen to stress the relationship with USG People. Their service offering covers sectors including governmental, education, hotel and catering, construction, care, engineering, manufacturing, transport and logistics.
Brands: Start People and Proflex

Specialist staffing
In addition to general staffing, USG People provides a wide range of specialised flexible solutions. Areas covered include administration, financial, secretarial, callcenters, technical and medical. To stress the link to the group, in most cases the USG People symbol has been incorporated into the various logos.
Brands: Ad Rem Young Professionals, ASA student, Content, Creyf's, Express Medical, Geko Zeitarbeit, Receptel, StarJob, Secretary Plus, SYS, Technicum and Unique.

Professionals
This segment is active in recruiting and seconding high-grade specialists in areas including construction, civil engineering, mechanical and electrical engineering, chemical and petrochemical, telecoms, IT, marketing and communication, HR, legal and finance. To strengthen their market position the various brands have been or are being clearly linked to USG People by adding the USG name and USG People logo to the brand names.
Brands: USG Capacity, USG Energy, USG Financial Forces, USG HR Forces, USG Innotiv, USG Restart, Legal Forces, Multi Compta and Utrechtse Juristen Groep.

Other services
USG People offers a variety of high-quality customer care services aimed at providing knowledge-intensive services in the field of sales, personnel recruitment, information provision, complaints and e-mail response.
Brands: Call-IT International

2007 FD Gazellen Award for USG People Het Financieele Dagblad presented USG People with an FD Gazellen Award. Out of 420 nominees, USG People won the prize for the fastest-growing company in Flevoland province.

Freedom
and creativity

Evamaria de Boer

Giving people space, for their own sake and in the interest of the organization. That is the vision of Evamaria de Boer, Corporate Vice President, Human Resources.

Freedom, albeit within certain boundaries of course. That is Evamaria de Boer's goal for the staff of USG People. "You could say that the multibrand strategy is embedded in our genes. That is what sets us apart from others. We consciously give our staff the space to develop their own personal spirit of enterprise and creativity – within certain boundaries of course."

As Corporate Vice President of Human Resources, Evamaria de Boer is responsible for HR policy at USG People. The importance and complexity of this has only increased as the company has grown. "Integrating companies that have been taken over has its own dynamics," she said. "It is a challenge to bring together all those cultures, while allowing them to keep their identity. All in all I can say that I am pleased with what we have achieved. Taking into account the fact that the number of employees has tripled and we are now active in 13 countries, integration is getting easier and easier."

"The word I am getting from all corners of the organization is that we are sharing more when it comes to innovation and best practices. We are also learning more and more how

to take advantage of our differences to be more innovative in our markets. It is in this diversity that we are unified and that is the strength of USG People. There is of course still room for improvement, but on the whole I would say we have succeeded in convincing everyone – including our flex workers – of the importance of our growth strategy."

Valuable process

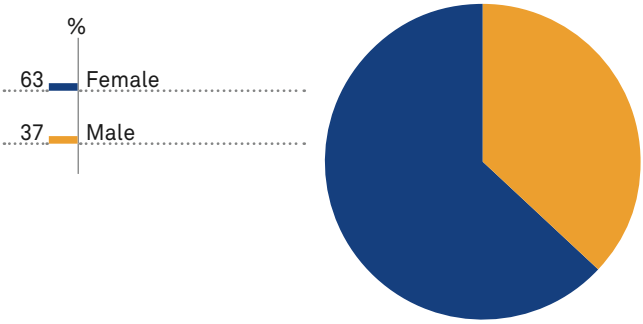
In 2007 being united by our diversity was high on the Human Resources agenda, and creating the USG People business principles acted as the catalyst. "Such a list of values is often seen as a list of written truths. That is why we specifically requested the input of the operating companies. In this respect, the process is just as important as the end result."

"Many operating companies had already established their own cultural values. So we compared the results of this input with the findings of the Executive Committee. The conclusion was that there were great similarities – similarities that we have laid down in our business principles: respect, learning, passion, involvement and commitment to results. That process was very valuable. It forces you as an organization to think about your added value, and that is something you cannot do enough of."

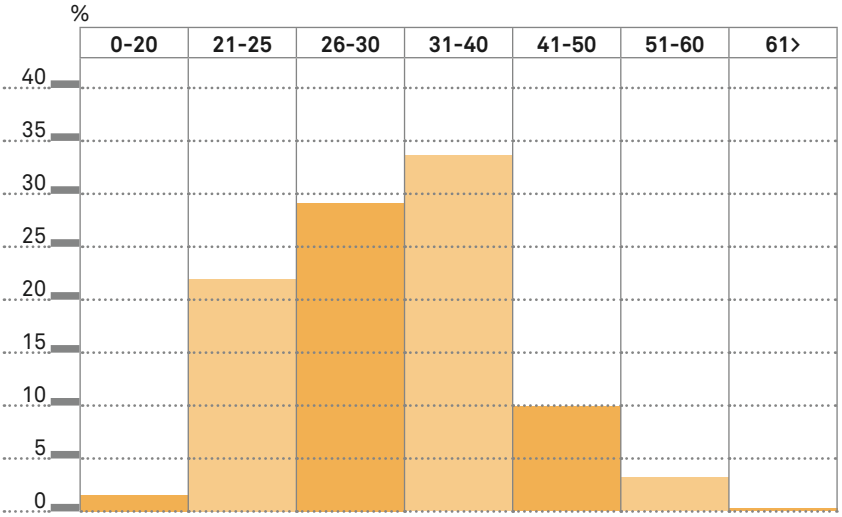
There was also room to think about what is perhaps the most important question of all: how do you make sure that you really breathe life into these cultural values? "A value like 'involvement' can differ from culture to culture and even clash with a value like 'commitment to results'. We have therefore identified five dilemmas and put them into writing. In many cases this helps employees determine how to act."

"The remarkable thing about the business principles is that they not only state what USG People expects from its stakeholders, but also what stakeholders can expect from the company. These expectations are set out for our employees, flex workers, clients, shareholders and society at large."

Ratio of women to men in leadership positions



Breakdown of employees by age



Older workers and part-time work

In 2007 promoting diversity and advancement was another important area of attention. The staffing sector is a remarkable industry in that respect: the number of women in higher management positions and the participation of ethnic minorities is relatively high, both among employees and flex workers. Nonetheless, it is still a big priority for USG People to make the most of our diversity. "Women returning to the workforce, older people who want to work part-time and migrant workers also play an important role on the job market. Here we foster these differences. You need to have people from different

Number of employees: 9,667
Number of FTEs: 8,685

"The remarkable thing about the business principles is that they not only state what USG People expects from its stakeholders, but also what stakeholders can expect from the company." **EVAMARIA DE BOER**

cultures and social backgrounds to be able to be innovative and enterprising. Differences challenge people to take a closer look at themselves and to find new solutions."

USG People recruits three out of every four candidates for management positions from within the company. "That is a high rate, even in this sector. I personally believe that this is the best way to guarantee the success of our strategy. We prefer hiring generalists, who we can provide with the necessary tools and experience. In some areas, however, there is more demand for specialists. Particularly communication and IT specialists, who we have to recruit more and more from outside the company. There is nothing wrong with that, as long as we can help them adjust to USG People's culture. That is one of our challenges for the years ahead."

Belgium's multi-media approach

The diversity policy of Start People Belgium is different in its versatile and multi-media approach. For example the website www.diversityatwork.be was launched, which contains a large number of best practices. Another part of the diversity policy is the so-called 'diversity cell', which brings together a diverse group of staff members to think about the development of business models that can provide a competitive edge when it comes to diversity. In addition, a web-based tool (TIM@work) was developed to allow visitors to test their own work attitude towards aspects like efficiency and suitability. It can also assess whether the work attitude is in line with customer expectations, and how possible gaps can be bridged. "There was a lot of interest from day one," said Hilde Haems, head of Human Resources for Start People in Belgium. "Its strength lies in the fact that the concept takes into account the individuality of each person. It is no coincidence that TIM stands for This Is Me."

"ASA Student works hard to accommodate the students we aim to help." **RONALD KARDOL**

The value of personal contact

Students are becoming more and more valuable on the job market. That is why ASA Student, a Dutch operating company of USG People, is working hard to create a permanent relationship with highly educated professionals.

Let there be no mistake about it: statistics show that graduates are becoming increasingly important on the job market. Although the number of students enrolled at universities and vocational higher education institutions will grow in the coming years, this does not match demand for highly educated talents in the European knowledge economies. In 2010 the Dutch job market will have a structural shortage of 75,000 people with an academic background or vocational higher education. And the prospects for the remaining countries in which USG People operates are not much better. That means that the search for top-class talent must be intensified in the coming years, and that creates opportunities for providers of flexible employment and recruitment and selection services. Providers such as ASA Student, USG People's specialist operating company that draws on a great deal of experience. "ASA Student works hard to accommodate the students we aim to help," said Managing Director Ronald Kardol. "We have devised an integrated concept of offering a different product for each phase of student life. We arrange part-time jobs for first-year students, students beyond their first year are placed

The right job at every stage ASA Student has opted for a campaign centred around students. There are job opportunities to suit every stage of your course. From part-time jobs for extra spending money and course-oriented part-time jobs to the right job to launch your career.

in temporary positions that have to do with their major, and graduates are helped to find permanent jobs. Because we have remained visible in student communities and understand the needs of students, I expect we will be able to strengthen our competitive position as a market leader."

Student communities

Historically, ASA Student has focused on student cities in the Netherlands. What started in the sixties by a couple of technical business management students in an attic in Delft has since grown into a mature network with 31 branches. As an operating company of USG People, ASA Student now has a regular staff of 120. More than 75,000 people with an academic and vocational higher education background are registered as temporary employees. "There are many players on the student staffing market but none with as wide a reach as us, both as regards the number of branches and our digital scope," said Ronald Kardol.

In recent years a great deal of time and energy, as well as creativity, has been invested in maintaining the staffing organization's market-leading position. "The rules in this market segment have changed radically. Students no longer only live in rooms in student cities, but spread out all over the country. And they get more and more information online. On average, students spend four hours a day on the web. If you want to reach this group, you have to be online and credible."

That is why ASA Student recently launched a strategic collaboration with All4Students, an organization that runs www.student.net, the largest digital student community in the Netherlands. It is estimated to reach at least 200,000 students. Every day, tens of thousands of students read about the latest developments in the student world on this site. "In this way we are using an extra communication and marketing channel for highly-skilled talents."

Clicks & bricks

Despite the importance of internet clicks, Ronald Kardol does not want to ignore the bricks that are the branches themselves. "We believe in the added value of personal contact. Even though the initial orientation takes place more and more over the web, it remains important to have a physical presence in all student cities. So a student can just walk in and see if there's a job available. In many cases they are offered a job right there and then."

The fact that ASA Student is a part of USG People is a strategic advantage, according to Ronald Kardol. Not only does it provide the scale and financial means needed to grow, it also challenges the professional working environment to continue to choose a clear direction. "Our concept is clear: we aim to anticipate and fulfil the specific needs of students in every possible way. That way we build up a valuable relationship, both now and for the future. For today's student is the person calling the shots tomorrow."

Flexmarkt Specialist 2007

In 2007 ASA Student Uitzendbureau was named 2007 Flexmarkt Specialist by monthly journal Flexmarkt and Q&A Research and Consultancy. ASA Student Uitzendbureau received this accolade for scoring the best among temporary staff aged 15 to 34 years old. ASA Student chooses a policy that is focused on the student. That means creating work opportunities for each phase of student life. These have been divided into three specialisms:

- ASA Student Uitzendbureau, with 22 branches, provides job mediation services to students looking for general part-time jobs;
- ASA Student Campus is an in-house variation located at universities and higher vocational education institutions; it links students to part-time jobs and projects that are relevant to their study;
- ASA Student Career, with a nationally operating branch located in Amsterdam, provides job mediation services to students looking for a traineeship or their first professional job.

Individual identity

Karin Korstanje and Hilde Haems

In 2005 USG People acquired Belgian temporary staffing company Solvus. So how has the integration gone?

Immediately after the acquisition of Solvus in 2005, an integration plan was developed to outline how the organizations would merge under the USG People flag. That plan was quite successful, according to Hilde Haems and Karin Korstanje. They still receive the occasional question from clients and stakeholders outside the organization about the mix of the Dutch and Belgian corporate cultures. Apparently some people assume that Solvus becoming a part of USG People could result in clashes. Hilde Haems and Karin Korstanje recall plenty of examples of companies that joined forces but never really made it work. But experience shows that that was not the case for USG People.
Karin Korstanje, Managing Director of the Dutch legal operating company Utrechtse Juristen Groep (UJG), "Due to our multibrand strategy we do in fact need differences to set us apart. I would even go so far as to say that integrating too much is dangerous. When we start looking and acting too similar, we lose some of our distinguishing qualities."
Hilde Haems, Director of Human Resources for Start People Belgium: "It is important for us to maintain our own identity. And luckily we can. We are one when it comes to diversity, and that is our strength."

People who act

Hilde Haems and Karin Korstanje understand that the acquisitions that took place in the past few years have had an effect on the workplace. At the same time they realise that this has caused relatively few problems.
Karin Korstanje: "This is an organization of people who act, people who are by nature accustomed to change.
We do not think along the lines of structures and types of reporting, but about the effect of our changes on the market. What attracts me to USG People is that we have always been able to keep that distinguishing feature. And that has not changed since the recent acquisitions."
Hilde Haems: "That is also something big that both parties have in common. Solvus' former unit Creyf's was another

"Integration is first and foremost the art of managing possible conflicts." **HILDE HAEMS**

Creyf's becomes Start People In 2007 USG People made good headway in further defining its brand strategy. One such step was to change the name Creyf's to Start People in a large number of European countries. Employees in Belgium unveiled the new name in an integrated campaign.

group that did not need strict rules in order to function. I myself am an exponent of that."
Karin Korstanje: The integration was quite a natural process due to the fact that there are many niche players within USG People. I myself am responsible for an organization specialised in seconding legal talents, and that's when you realise that your primary focus is on your own market segment. You find the results of your own team just that little bit more important than what is happening elsewhere in the group."
Hilde Haems: "That is a matter that requires constant attention. On the one hand it works to our advantage because it allows us to integrate lots of newcomers without a hitch. On the other hand it means that we have to keep in mind the possible advantages of the large scale of the organization, also at the workplace. That is a challenge for us as managers."

Best practices

Hilde Haems: "Integration is first and foremost the art of managing possible conflicts. Even in a multibrand organization."
Karin Korstanje: "You have to be conscious of your own ability and, at the same time, be open to the ideas, best practices and business opportunities of new parties in the group. It is quite difficult to achieve a balance, particularly in the current hectic market environment. Within this organization you are constantly judged on your ability to be open to new ideas and concepts, both from here and from operating companies in other countries or market segments."
Hilde Haems: "And that is when best practices become a helpful tool. That is why we have the management teams of Start People in the Netherlands and Belgium meet regularly to share their knowledge and expertise. An example is a successful meeting we organised under the motto *Steal Shamelessly* – because let's face it, using each other's ideas is allowed among family members. A very important part of the process is that you constantly keep each other in the loop about experiences and any progress you make. That is a great way to get people out of their daily hectic mindset and to make them aware of the added value they can bring, often with a lot less effort. When you succeed in doing so, celebrate it – celebrate it big so everyone can see."
Karin Korstanje: "Every change process needs its ambassadors. People who dare to look beyond their own limitations and therefore become even more successful. Their example to others works a thousand times better than any integration plan."

Hilde Haems: "Of course it is not always a party. When it came to the back-office activities, merging the different systems and working methods did lead to some early problems."
Karin Korstanje: "A few major changes have been implemented in the Dutch service structure this past year. For one they now work with dedicated teams responsible for providing support to a single operating company. That can mean giving up some of the advantages that come with the scale of the organization, but this is compensated by a greater commitment."
Hilde Haems: "No, we're not tired of all the change. This organization thrives on the dynamics of supply and demand on the European job markets and that is why it is good for us to be challenged from time to time. Our people remain open to new challenges. Constant change can even be a bit addictive."

"Every change process needs its ambassadors. People who dare to look beyond their own limitations and who are therefore even more successful." **KARIN KORSTANJE**

Growth market

Hans-Jürgen Koch

"Thanks to USG People's European network and the professional way the company is run, it is creating a solid basis for further growth."

When it comes to flexible employment, Germany is catching up remarkably fast. Only a few years ago the country was known as a problem area for staffing and secondment companies, largely due to the traditionally strong trade unions. But lagging economic growth and employment problems made reform inevitable and legislation changed. Flex workers now have similar rights to their colleagues with regular contracts and there is a labour agreement for the staffing sector.
These changes have led to a strong jump in demand for staffing and secondment services. Flexible employment currently has a market share of just under 1 percent but this is expected to increase in the coming years, so there is room for considerable growth. "If conditions do not change, we expect the market to double to 25 billion euros," said Hans Coffeng, Executive Vice President Central Europe, whose responsibilities include Germany. "Our market share is still quite modest, but in the coming years we aim to achieve the critical mass needed to benefit from expected market developments."

"We invested a great deal of time and effort into making the organization more efficient and introducing specialist labels in 2007." **HANS COFFENG**

In the coming years a wide array of opportunities will present themselves in one of USG People's main growth markets. To benefit from this growth proportionally, the German activities must grow in size. "That is why we invested a great deal of time and effort into making the organization more efficient and introducing specialist labels in 2007," Hans Coffeng said.
For instance, Creyf's and Unique in Germany were merged under the national label Unique and the back office was standardised further and housed in a Shared Service Center in Munich. "These moves are aimed at improving profitability, making us ready to grow fully in line with the market. In addition, specialist labels like Secretary Plus are proving to be a real hit, and that is why we are examining whether to introduce labels like ASA Student and USG Innotiv in the German market in the future."

New clients
USG People also remains interested in takeover partners that fit in the multibrand strategy and strengthen existing market positions. The acquisition of Geko Zeitarbeit, a temporary staffing company for technical specialists based in the German city of Bochum, meets these requirements. "The takeover gave us the space to keep our own defining traits. And thanks to USG People's European network and the professional way the company is run, it is creating a solid basis for further growth. First in Germany and in the future perhaps in Central and Eastern Europe," said Geko founder Hans-Jürgen Koch.

The acquisition has already been a success in various respects. For instance, new clients have been added such as steel company ThyssenKrupp, the German branches of machine manufacturer Komatsu, and retail giant IKEA. In turn, Geko benefits from USG People's know-how in specialist staffing and of course also from the group's scale and international look and feel. This was evident recently when Hans-Jürgen Koch received word that a large international manufacturing company was interested in doing business after all. "This client also wanted to service its foreign branches in the future and that is now possible. With USG People we can use the network of a large European player and that is what brought us back together with this company. And needless to say I am very pleased about that."

Strategic newcomers

Acquisitions were done in various places in Europe in 2007.

Since 1 January 2007 Multi Compta is another brand in the USG People portfolio. Established in 1969, Multi Compta is specialised in providing temporary staff in the field of finance and accounting in the regions surrounding Paris and Lyon.

In Spain, USG People acquired Profesionalia S.A., which is responsible for the launch of the successful Secretaria Plus brand. Secretaria Plus is an internet platform that reaches more than 100,000 office workers and secretaries. The staff of 33 generated revenues of 3.3 million euros in 2007.

In Germany, USG People acquired Geko Zeitarbeit GmbH, a company established in 1982 and active in the staffing and secondment of technical specialists in the German state of North Rhine-Westphalia. The company has a regular staff of eighteen and more than 750 highly-qualified technical staff on file. Operating from four locations in Bochum, Dortmund (two) and Essen, the company achieved revenues of about 28 million euros in 2007.

Een nummer op je werk? Liever bijzonder!

Content if you are The objective of the new Content campaign was to increase brand awareness and create a modern brand image for candidates. A survey held among 15,000 people showed that employees know what they want, have class and taste, enjoy their freedom, are engaged in their community, and choose quality.

Corporate responsibility

As a company that puts people at the heart of its business, USG People takes its corporate responsibility to society as something that goes without saying. We do not consider it to be an obligation but an opportunity. That is why we encourage our operating companies to develop innovative solutions to social issues including diversity, integration and reintegration, and equal opportunity.

As a corporate member of CIETT, the International Confederation of Private Employment Agencies, we actively support efforts to achieve an open and accessible job market. We encourage all our operating companies to be involved in (national) industry associations. In this way we work to achieve well-regulated labour conditions for all our staff and flex workers.

Diversity
In 2007 we performed a quick scan among our operating companies to assess the impact of diversity on the European labour market, which initiatives were being developed by the operating companies in respect of diversity, and the composition of our body of employees. We aim to see in the composition of our regular staff and flex workers a realistic reflection of the composition of society, taking into account the skills and the expectations of both our clients and us. Diversity is therefore an integral part of our corporate HR policy.

Inspiring workplace
We aim to bring the best out of everyone, whether it be flex workers or regular staff. For regular staff it means that we provide the facilities, conditions and support they need to excel – regardless of background, gender, age, religion or disability. For flex workers it means that we use all our expertise to prepare them and support them in finding the right job.

Charitable contributions
Many USG People operating companies offer their support to a variety of charities. Their contribution is often linked to a charity in the same market segment as the operating company.

Environment
We are committed to achieving a safe and environmentally friendly working environment. As a services provider we use relatively few raw materials, but nonetheless we try to limit the impact of our activities on the natural environment as much as possible. At our head office in Almere we separate our waste and limit our energy usage with the help of light switches with movement sensors. We also encourage staff to recycle all appropriate (suitable) materials and to dispose of cartridges, computers and printers in an environmentally friendly manner.

Corporate Responsibility Certificate

In November 2007 USG People received the Corporate Responsibility Certificate from Annemarie Jorritsma, mayor of Almere where the company's head office is situated. USG People donated surplus furniture and computers that could be used in various social projects in the city.

Start People market leader with central government in The Netherlands for flexible employment Start People consolidates position with two new long-term contracts in the public sector. The contracts are with the Central Agency for the Reception of Asylum Seekers and the Ministry of Defence.

Giving back to society

USG People's operating companies support a variety of charities and aid organizations. Contributions are often connected to the specific segment in which the operating company is active. A few examples are highlighted in this annual report.

Disabled sports
supported by USG Restart

Looking for and securing a job can seem like a sport, and for people with a disability it can even be more like a sport for elite athletes. Their willpower and perseverance often make them valuable employees. That is why USG Restart in the Netherlands is partnering Fonds Gehandicaptensport, the Dutch disabled sports association that makes it possible for everyone with a physical disability to practice sports.

Christmas bazaar
Start People Poland

In 2007 Start People sponsored two initiatives in Poland – a charity event for children and a Christmas bazaar organised by the Polish branch of the International Women's Group.

fonds gehandicaptensport

Express Medical
and Doctors Without Borders

Express Medical supports various projects run by emergency aid organization Doctors without Borders. Surgeons, anaesthetists, nurses, laboratory technicians and administrative staff work to improve medical care in more than seventy countries.

Content:
new members for Unicef

Content is committed to a Unicef education programme in Bolivia that is in keeping with its vision that children should have the opportunity to develop their talents. The programme allows hundreds of indigenous children to be taught in two languages. In November 2007 all Content employees also took part in a Unicef membership drive that resulted in more than 1,100 new members.

Start People Czech Republic:
homeless youths

Start People in the Czech Republic has sponsored the Sance project for years. This is a project for homeless youths.

unicef

Secretary Plus in Belgium Secretary Plus supported Unicef in the 2007/2008 Christmas period with activities for children in need.

Football
with Start People Belgium

Start People Belgium was the main sponsor of the first intercultural job fair in Flanders. In addition, the operating company partners KIFKIF, an organization geared towards ethnic minority groups that focuses on promoting interculturalism. It supports initiatives like Y@R (Youth at Risk), which helps young delinquents find new direction in their life, and Open Stadium, that promotes community building through football.

USG Capacity: local aid organizations

Foundation Communicaid is a young foundation that lends its expertise to local aid organizations around the world – organizations that lack the skills and means to promote themselves effectively and professionally. Every bit of energy and money they have is needed for the day-to-day operation of the local project so USG Capacity supports Foundation Communicaid in achieving its objectives.

Saved
Technicum rescues tools

Technicum supports Stichting Gered Gereedschap, a Dutch foundation that fixes up old tools and donates them to projects in various African countries. Technicum helps collect the tools from its branches and clients.

Utrechtse Juristen Groep
For Mexico

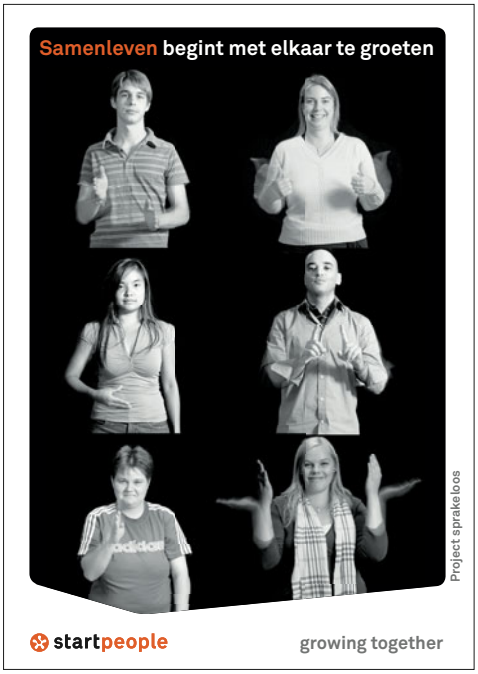
A staff fundraising appeal helped Utrechtse Juristen Groep sponsor the newly-created foundation Guadalupe, which is focused on providing aid in Mexico. Many colleagues also donated the amount equivalent to the value of their end-of-year company gift to organizations such as Warchild, Amnesty International and WWF.

StarJob The Netherlands

For some time now, StarJob the secretary network has been a sponsor of AMREF Flying Doctors, an organization aimed at improving the healthcare of underprivileged people in Africa, and Pink Ribbon, a charity that promotes breast cancer awareness. StarJob chose to sponsor these organizations because the secretary network and its members – most of whom are women who work for, through or with StarJob – support and can identify with their objectives.

Diversity
at work

Start People acts as an intermediary between organizations and people – not only for starters but for life. Respect for the individuality of each candidate and organization is the main consideration in this respect. Projects aimed at promoting diversity under the motto 'Growing together' are actively supported in Belgium, whether they are aimed at getting more women into the workplace, helping more older people make a new start, or some other aspect. Just as long as the initiatives support the vision of getting the right person in the right place at the right time. Because that's when diversity becomes a real asset. Talents and backgrounds differ, and that's a good thing in a job market with so many different needs.



Ron Icke, CEO of USG People

"We are proud of our brands. USG People is a prime example of an organization that is able to use its creativity and entrepreneurial spirit to play a positive role in society."

AMREF FLYING DOCTORS

Pink Ribbon
Een initiatief van de BorstkankerVereniging Nederland

The first Spanish branches of Secretary Plus recently opened their doors. “There are still a lot of conservative ideas about flexible employment here, but I think we will have made up ground in three years time.”

The fact that another company on the Spanish market had almost the same name turned out to be an advantage when launching Secretary Plus. The acquisition of Secretaria Plus not only prevented possible brand confusion, but it also provided USG People with a unique gateway to the world of Spanish-speaking secretaries, personal assistants and other office staff.
Secretaria Plus operates an internet platform especially for this target group. Every day thousands of potential candidates chat with each other, share experiences or sign up online for a trade fair or course.
“We immediately recognised the synergy potential of the acquisition,” said Managing Director Gina Opdebeeck. “Thanks to Secretaria Plus we can use their database of more than 100,000 names. That is a huge advantage in a market that is still not very transparent. And thanks to this connection all these people feel like they already know us.”
Her colleague Inma Corregidor, in charge of the operational side of setting up the first Spanish branch of Secretary Plus, adds: “Helped by the know-how from within the group when it comes to establishing a strong brand, we are off to a flying start. I am certain of that.”

Déjà vu

There is no doubt in anyone’s mind that the Spanish market for specialist staffing and secondment services has potential. In the wake of the slow breakthrough of general staffing services, it now seems like only a matter of time before demand for highly qualified and specialist flexible staff picks up in USG People’s third home market.
“Ideas about flexible employment are still conservative here,” said Gina OpdeBeeck in her Madrid office. After moving to Spain a few years back to complete the integration of two staffing organizations into Unique Spain, she recalls having had a feeling of déjà vu for a long time. “I am encountering the same issues now that I did in Belgium and the Netherlands – only five years ago. I once again have to convince clients that it is in fact possible to hire specialists for finance and office jobs. Many Spanish businesses and managers consider these to be core activities that should not be left to external staff, even if you have an urgent capacity problem. Luckily we are now catching up quickly and I believe we will have made up this ground in three years or so.”
At the moment the industrial sector accounts for at least 80 percent of Spanish temporary staffing contracts. “So I am proud that Unique was able to achieve almost half of its revenues from specialist staffing. It makes us the national leader, and we achieve good margins.”

“Many Spanish businesses and managers consider these to be core activities that should not be left to external staff.”

Opdebeeck sees the introduction of USG People specialty brands on the Spanish market as the next step, and Secretary Plus as the perfect company to lead the way.
“I had the opportunity in the past to help build this brand in Belgium. That is where I learned about positioning, how to target the market and which qualifications intermediaries and candidates should have. Based on that I think the Spanish market is ready.”

Flying start

Gina Opdebeeck and Inma Corregidor

Women reintegrating
In the spring of 2008 Secretary Plus opens the doors of its first branches in Madrid, Barcelona and Valencia. And Bilbao, Zaragoza and a second branch in Madrid will soon follow. "Our biggest challenge is finding flex workers who are sufficiently qualified. Contrary to Western Europe, the number of women reintegrating is quite low here," Gina Opdebeeck said.
Secretaria Plus's community is a great tool in this respect. "It gives us an edge above the competition," Inma Corregidor added. "We know where our candidates are and what they want. And it works."
Corregidor has come to understand the importance and accessibility of USG People's knowledge and expertise network firsthand. In the past she took the time to learn the ropes from a few Secretary Plus colleagues in Belgium. And later this year she will be taking part in a management development programme.
"The strength of this company is that a separate business case has been developed for each brand, using all available knowledge and experience about targeting the market, accounts and administration, managing employees and legal affairs. That makes the job a lot easier."
"The initial talks with potential clients have been promising," said Gina Opdebeeck. "Our initial focus is on multinationals. Their numbers have grown in recent years, especially in Madrid and Barcelona. They are receptive to the idea of hiring good office staff, on either temporary or long-term contracts. Once we are able to get a foot in the door with them, the rest will certainly follow."

Innovation Award In 2007, the second USG People Innovation Award was presented to share best practices and promote creativity and innovation. The winner of the award was *Alejandra*, Unique Spain's virtual consultant. For more information got to www.unique.es.

New perspective

Start People Nederland has developed a remarkable initiative: the job-learning centres known as 'Leer-werkplaza'. It offers a new chance for students who are threatening to quit school.

Eighteen year-old Marissa Bouchier was studying at the regional training centre (ROC) in her home city of Almelo, but she was unable to find a place to gain experience while completing the course. That meant that she would have had to quit school. An intermediary at Start People told her about a shortage of system operators in the field of food technology and arranged an introductory visit. Marissa was enthusiastic and decided to change direction. She now works four days a week at her first job and goes to school at the ROC one day a week. In other words, Marissa was able to find a way out and not become yet another school dropout.
Marissa's story is one of the success stories of this remarkable initiative by Start People. "The job-learning centre is the result of years of experience with job-learning positions," said Walter Gietman of Start People.

"It still happens all too often that students quit the ROC unnecessarily because they do not have a clear picture of what the future holds or simply because they cannot find a job to gain work experience. We offer our services to help find job-learning positions and if necessary we help orientate students on the job market. After all, we are the ones who know what skills local employers are looking for."
"To lower the hurdle for the students, we work together with the ROCs to open centres at the schools themselves. This creates a win-win situation: schools that participate have an extra tool to reduce the number of dropouts, and we gain direct access to potential skilled workers. It will come as no surprise that this is the group that is most in demand by our clients. And the candidates themselves stay available to work."

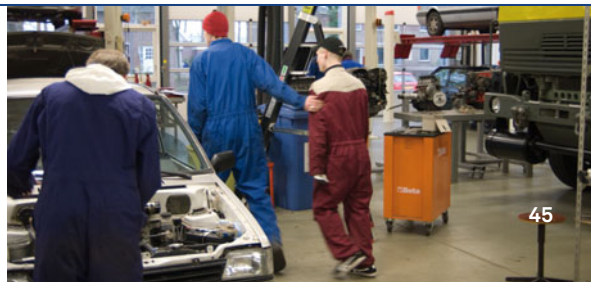
Government's interest in the initiative

It is a huge social problem: on average 57,000 students drop out of school each year. The intermediate vocational education and training courses in particular show above-average dropout rates. Walter Gietman is a job-learning manager responsible for 4,000 courses a year for flex workers at Start People. He recognised that the job-learning centre was not only a solution but also an opportunity. "What makes it work is that the areas of expertise of the partners are complementary. Our partners have the educational facilities at their disposal, while we know the job market and are able to translate local demand for workers into tangible solutions. That means that each centre is manned by someone from the ROC and someone from Start People."
The initiative had its debut at the Albeda Collega in Rotterdam in mid-2007. Dutch state secretary for social affairs and employment Aboutaleb officially opened the job-learning centre, proving the government's interest in the initiative. "The experiences in Rotterdam have been good," said Walter Gietman. "It has become clear that both sides are in need of these services. There were of course start-up problems as some of the educators were somewhat distrustful. But as they became more familiar with our concept and saw the initial results, they warmed to the idea. Even more so once they discovered the knock-on effects."
One of the effects is that the job-learning centre helps not only keep its own students on board, but it also appeals to other students. "The initial doubters are starting to sign up and they are asking for a second chance to complete their education. We also see graduates of pre-vocational secondary education (VMBO) applying for part-time jobs. Having completed their VMBO education, they have to wait before starting at the ROC. By helping them you not only guarantee that they do not get stuck in a summer job, but you also help them gain work experience in a field they see themselves working in in the future."

Interesting business case

Start People's management team has high expectations of the job-learning centres. A second branch was recently opened at the Noorderpoortcollege in the city of Groningen, and at least five more will open before the end of 2008, according to Walter Gietman. "And that is only the beginning. There are 46 ROCs in the Netherlands and the concept can be translated with only minor changes to educational institutions in other countries. After all, the problems are more or less the same everywhere."
"This is not only a project that we want to use to be seen as a company that takes up its responsibility to society. It is also an interesting business case. A relatively low investment on our part is providing us with a wealth of qualified workers that we are able to put to work for longer periods of time. At the same time it enables us to offer our existing flex workers new opportunities. Experience shows that their education is sometimes lacking in certain areas and in the future we will also be able to provide them this type of support. After all, we now have the channels to do it."

Marissa now works four days a week for her first employer and spends one day a week at the regional training centre ROC.



PERSONAL
I live in a spacious apartment in the city of Breda, together with my girlfriend Katrien. She works for a young and hip shoe company.

PROFESSIONAL
Sometimes you approach companies that have never heard of you before and they end up becoming big clients. It's a major buzz when you are able to help a company find good staff and the candidate find a great job.

MOTIVATION
Take control of situations, especially at work. Life is too short to be unhappy 40 hours a week.

PASSION
Urban Dance, a type of modern dance without a partner.
I practice once a week, but it is also fun to do when you go out. You can catch a video of me on YouTube.

FUTURE ASPIRATIONS
Putting things into perspective! We sometimes tend to get so worked up about things that really don't matter...

THE NETHERLANDS: Ivo

Consultant and urban dancer

Ivo Nieuwenhuizen (26) is an international sales consultant for Unique Multilingual Services. His job is to approach potential talent and recruit new clients. This requires a great deal of internet research and often being on the go, checking out trade fairs and other opportunities. Location: Rotterdam.

PERSONAL
I like to spend lots of time with friends, going out for dinner or seeing a film.

PROFESSIONAL
To achieve a sense of collaboration with clients based on trust. My greatest added value is the ability to completely understand the customer's needs and to then find a tailor-made answer.

MOTIVATION
I would like to see my personal development coincide with the growth of Start People in Italy.

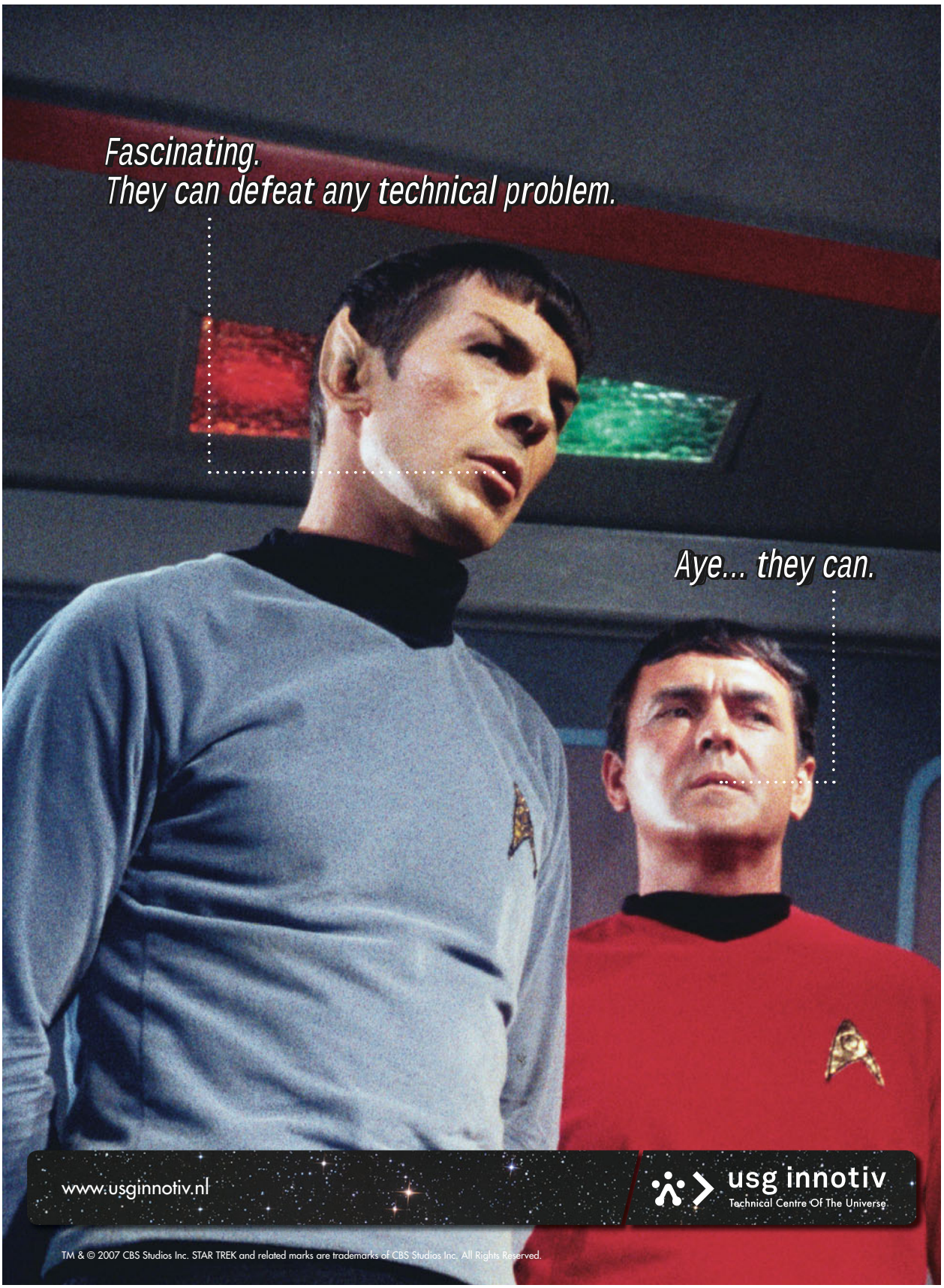
PASSION
I enjoy the work of Chilean poet Pablo Neruda. I also like to travel, read books about psychology, and of course shop.

FUTURE ASPIRATIONS
I enjoy life as it is. My future aspiration is get married and have children.

ITALY: Daniela

Regional manager and poetry lover

Daniela Giovannini (36) is a regional manager for Start People in Italy. Her area is the central region of Italy, and that means travelling around a lot. She visits clients and meets regularly with the various branches in her region. She is also responsible for drawing up the weekly profit projections. Office location: Bologna.



USG Innotiv and Star Trek Tapping into the fascination for technology and gaining brand awareness were the goals of the Star Trek campaign launched by USG Innotiv (formerly Innotiv, United Technical Solutions and Beaver IT services). The campaign included television commercials, printed ads in relevant media and billboards.

PERSONAL
I am married to Sandra, with whom I am building a house near Aarau. We have two children: Louis (8) and Noelle (9). My weekends are for the family, when I do things like coach Louis's football team.

PROFESSIONAL
Respect for our clients and employees.

MOTIVATION
Numbers, fact and results. Each day and week throws new challenges at me that I want to tackle with my superiors and staff.

PASSION
Football, skiing and riding a motorbike. I love riding my Kawasaki home after a long day at work, but my dream is a Harley-Davidson.

FUTURE ASPIRATIONS
Health and happiness, both at home and at work, and to be successful professionally.

SWITZERLAND: Roger

Regional manager and motorcyclist

Roger Jungwirth (38) is regional manager for Start People Switzerland. He is responsible for the Northwest and Central regions. Roger works closely with the branches in his regions and considers it his responsibility to promote a good working environment and trust among the branches. Location: Aarau.

Report of the Supervisory Board

The year 2007 was a memorable one for USG People, one of the most successful in our existence. Helped by the tremendous efforts of all our employees, we reaped the benefits of our 2005 acquisition of Solvus, which has clearly brought us the synergies we hoped for. This all translated into high revenue levels, strong margins, satisfied staff and clients, and excellent operating income.

It is therefore with pleasure that the Supervisory Board submits the annual accounts as drawn up by the Executive Board to the General Meeting of Shareholders for adoption. The annual accounts have been audited by PricewaterhouseCoopers N.V. and the unqualified auditor's report is included on page 156. The Executive Board proposes a dividend of 0.81 euro per share, payable in either cash or stock. Further details of this proposal can be found on page 157.

The five members of the Supervisory Board met five times in full complement in the course of the 2007 financial year. The agenda included the following items:

- the budget and results;
- the strategy and opportunities for growth, both organic and through acquisitions;
- ongoing acquisitions, potential partnerships, mergers and acquisitions, and divestments;
- various financing matters;
- diversity;
- the tax structure;
- the buyback of the company's own shares;
- the reorganization of the Dutch back-office operations;
- the annual accounts;
- the remuneration, contact with the Central Works Council and functioning of the Executive Board and the Supervisory Board.

The Executive Board did not attend the Supervisory Board meeting that discussed the functioning of the Executive Board as a whole and that of its individual members. With respect to the functioning of the Supervisory Board itself, we can report that all members met their attendance obligations and all made a positive contribution to the decision-making process.

The Supervisory Board has two internal committees: the audit committee and the remuneration and appointments committee. Both committees are subject to their own internal regulations which specify their duties, responsibilities and procedures. These regulations can be found on the company website. For a detailed description of the activities of both committees during the past year, please see the individual section on each committee.

The Supervisory Board proposes that the annual accounts be adopted and the dividend proposal be approved. The Board also proposes the discharge of the members of the Executive Board in respect of their management activities, and the discharge of the members of the Supervisory Board in respect of their supervision of these management activities.

To conclude, the Supervisory Board wishes to stress that contact with the Executive Board during the year under review was both open and constructive. The Supervisory Board wishes to thank the Executive Board and all USG People employees for their efforts and involvement. It is also thanks to them that USG People is able to look back on a highly successful 2007.

Almere, 6 March 2008

Cor Brakel, *chairman*
Christian Dumolin
Joost van Heijningen Nanninga
Marike van Lier Lels
Alex Mulder

Report of the audit committee

The audit committee met four times during 2007. The committee has three members: Christian Dumolin (chairman), Marike van Lier Lels and Alex Mulder. In addition to the audit committee members, the Executive Board and the external accountant – PricewaterhouseCoopers Accountants N.V. – were also invited to attend the meetings. The chairman of the committee reports the main findings to the Supervisory Board. The Executive Board and the external accountant were represented at all meetings. In 2007 USG People appointed a Corporate Internal Audit Director, who attended one audit committee meeting. Internal Audit will be invited to attend all meetings in 2008.

The tasks of the audit committee include monitoring the Executive Board with respect to the operation of the internal risk management and control systems – including compliance with the relevant laws and regulations and monitoring of compliance with codes of conduct – fiscal planning policy, the control and assessment of the company's financial reporting process, the prevention of fraud, corporate funding and the use of information and communication technology. One aspect of this supervisory task involves inviting those with responsibility for major subsections to attend meetings of the committee. In 2007, the individuals responsible for treasury, taxes, IT and legal provided the committee with a detailed explanation of the workings of their respective areas of operation and the associated risks.

As one of its tasks, the audit committee played a major part in composing the Risk section to be found on page 75 in this annual report. For a description of potential risks, please refer to this section.

In its annual assessment of its own performance, the audit committee concluded that it makes a valuable and positive contribution to supervising various aspects of auditing. Cooperation with the Executive Board and the external accountant is constructive. The committee intends to continue pursuing its activities and tasks in the same constructive fashion in 2008.

Report of the remuneration and appointments committee

The remuneration and appointments committee met twice during 2007. The committee has two members: Joost van Heijningen Nanninga (chairman) and Cor Brakel. The committee makes proposals to the Supervisory Board regarding the remuneration of Executive Board and Supervisory Board members. The remuneration policy is subject to approval by the General Meeting of Shareholders. The amount of the remuneration is determined by the Supervisory Board. The committee is also responsible for proposing and appointing members of the Supervisory Board and draws up the relevant job profiles.
The committee's tasks also include nominating members for the Executive Board.

Principal features of the remuneration policy
Since 2005 the remuneration policy has been subject to approval by the General Meeting of Shareholders. The Supervisory Board determines the level of remuneration for individual Executive Board members according to the terms of the remuneration policy as adopted by the General Meeting of Shareholders. The remuneration policy for 2007 is as adopted by the General Meeting of Shareholders in May 2006.

The remuneration of Executive Board members comprises both a fixed and a variable component. The fixed component is assessed and established for longer periods, taking into account the level of experience and responsibility of the board member concerned. The variable component is made up of a short-term and a long-term bonus.

Short-term bonuses are worth a maximum of 0.2 per cent of total EBITA. Half of this 0.2 per cent is conditional upon the company meeting the EBITA and revenue growth targets set in the budget. The other 0.1 per cent is determined on the EBITA of the year concerned. Short-term bonus payments are cut in the event the target set for DSO (days sales outstanding) is missed. Short-term bonuses are paid out in cash.

Long-term bonuses are paid out in USG People shares and are conditional upon the requirements of the Unique Share Plan (USP) being met. The Unique Share Plan and its challenging and clear, predefined targets were approved by the General Meeting of Shareholders in May 2005 for the period 2005-2010. Following the acquisition of Solvus in the second half of 2005, the Supervisory Board adjusted the principal features, targets and performance criteria of the Unique Share Plan to keep it challenging for the new-look company. The new criteria were presented to and approved by the General Meeting of Shareholders on 9 May 2006.

The performance criteria for the 2005 (pro forma), 2006 and 2007 financial years were as follows:
a the average revenue growth of USG People N.V. must amount to 12.5% for the whole period;
b EBITA at end- 2007 must amount to at least 6.5% of revenue;
c payment is subject to both criteria (a and b) being met.

The members of the Executive Board also receive a contribution towards their pension plan. This has been set at 15% of fixed salary and is not subject to a maximum.

In May 2005 and 2006 the General Meeting of Shareholders adopted the remuneration policy for the Executive Board for the three-year period 2005-2007.

For further details regarding remuneration, please refer to the remuneration report on the company website.

Remuneration of the Executive Board in the period 2005-2007

€	Fixed salary	Short-term bonus	Contribution to pension	Total, excluding long-term bonus
R. Icke				
2007	650,000	405,000	97,000	1,152,000
2006	650,000	371,000	97,000	1,118,000
2005	456,822	250,000**	74,500	781,322
R. Zandbergen*				
2007	455,000	405,000	68,000	928,000
2006	455,000	371,000	68,000	894,000

* Rob Zandbergen held the position of CFO since 1 January 2006.
** In addition, in 2005 Ron Icke was unconditionally allocated 5,000 shares (after stock split) in connection with the abolition of the option plan as of 1 January 2005.

Remuneration of the Executive Board in the period 2005-2007
Remuneration of the individual members of the Executive Board in the three-year period 2005-2007 is presented in the table above (excluding the long-term bonus under the Unique Share Plan).

During the 2005-2007 period, shares were allocated conditionally under the Unique Share Plan each year. The 2007 annual accounts have now been approved by the auditor, meaning we can safely state that the performance criteria for 2005, 2006 and 2007 were met. The target for revenue growth in these three years was 12.5%. The average growth realised in the period was 13.7%. The EBITA margin target for 2007 was at least 6.5%, against a pro forma 2004 level of 2.7%. The actual EBITA margin for 2007 was 6.7%. The shares allocated on a conditional basis will therefore now be allocated unconditionally.

Under the Unique Share Plan the following shares will be allocated unconditionally for the three-year period 2005-2007:

	Long-term bonus under the USP (after stock split)
R. Icke	
2007	10,000 (x 2 for bonus shares) = 20,000
2006	10,000 (x 2 for bonus shares) = 20,000
2005	10,000 (x 2 for bonus shares) = 20,000
Total for R. Icke	**60,000**
R. Zandbergen	
2007	6,000 (x 2 for bonus shares) = 12,000
2006	6,000 (x 2 for bonus shares) = 12,000
2005	6,000 (x 2 for bonus shares) = 12,000
Total for R. Zandbergen	**36,000**

Remuneration of the Supervisory Board

Remuneration of the chairman and members of the Supervisory Board for 2006, 2007 and 2008 was set at € 50,000 and € 35,000 respectively for each year. The chairmen and members of the internal committees will receive payments of € 5,000 and € 3,000 respectively for each year. In addition, Supervisory Board members receive a fixed annual expenses payment of € 2,000.

Remuneration (including expenses payment):	**2007** **€**
C.J. Brakel (voorzitter)	55,000
C.Y.I.E. Dumolin	42,000
J.H. van Heijningen Nanninga	42,000
M.E. van Lier Lels	40,000
A.D. Mulder	40,000

Appointments
There were no changes to the composition of either the Supervisory Board or the Executive Board during 2007.

Resignation rota
The Supervisory Board consists of five members appointed according to the following resignation rota:

	Appointed until	**First appointment**
C.J. Brakel (chairman)	2010	1998
C.Y.I.E. Dumolin	2008	2006
J.H. van Heijningen Nanninga	2009	2001
M.E. van Lier Lels	2008	2002
A.D. Mulder	2010	2006

At the General Meeting of Shareholders in 2006 the Central Works Council 'strongly recommended' the (re)appointment of Marike van Lier Lels and Alex Mulder. There were no changes to the composition of the board in 2007.

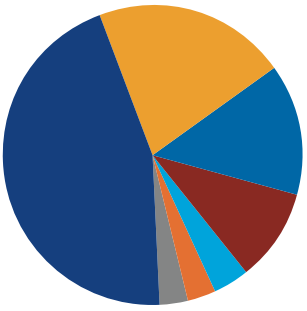
The terms of appointment of Christian Dumolin and Marike van Lier Lels come to an end in 2008. The Supervisory Board is pleased to report that both Christian Dumolin and Marike van Lier Lels are prepared to serve a further term on the board. The Central Works Council will 'strongly recommend' the reappointment of Marike van Lier Lels.

The Supervisory Board will therefore propose to the General Meeting of Shareholders that Christian Dumolin and Marike van Lier Lels be reappointed for a period of four years.

Report of the Executive Board

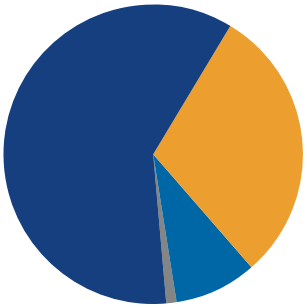
2007 was the year in which USG People was able to reap the benefits of the successful integration of Solvus. In most countries the actual integration took place in 2006, while both the process of merging the support services in the Netherlands and the ongoing rebranding operation were largely completed in 2007.

Revenue by region



%	
44	The Netherlands
21	Belgium and Luxemburg
15	France
10	Spain and Portugal
4	Italy
3	Germany
3	Other countries

Revenue by segment



%	
60	General staffing
30	Specialist staffing
9	Professionals
1	Other services

Major developments in 2007

In the 2006 annual report we set ourselves the following targets for 2007:

- Further revenue growth, both organic and through acquisitions. The main emphasis for takeovers in the Benelux will be on specialist services, elsewhere it will also be on acquiring scale;
- An increase in the operating result before amortisation to at least 6.5% of 2007 revenue;
- General staffing: productivity growth in the Benelux and strengthening of positions in Germany and elsewhere;
- Specialist staffing and Professionals: launch of specialist services outside the Benelux;
- HR services: strengthening of existing positions;
- Ongoing development of new technologies to boost internal efficiency and matching strength, while expanding and enhancing the services we provide.

Operating result

It is with some pride that we can conclude that the ambitious objectives we set ourselves in 2005 after the acquisition of Solvus have been fully achieved. In 2004 group revenue amounted to € 2.8 billion, compared with nearly € 3.9 billion in 2007. This represents an average annual revenue growth of 13.7%. As expenditure levels remained stable, the operating margin rose to a highly competitive 6.7 %. This means that the EBITA margin is well above the minimum target of 6.5% we set as the 2007 objective at the time of the Solvus takeover in 2005.
The operating result amounted to € 260 million (2006: € 206 million) and net income equalled € 140 million (2006: € 111 million). Earnings per share rose to € 2.21 (2006: € 1.76).

Refinancing

In May 2007 the company successfully renegotiated its existing € 700 million credit facility. This syndicated loan was agreed in 2005 to finance the acquisition of Solvus. However, the terms of the loan no longer reflected the improved risk profile of the organization in light of the increased profitability and improved balance sheet positions achieved in 2006 and 2007. The company therefore negotiated better terms with the banking consortium, including a reduced risk premium and greater annual acquisition capacity. The term of the loan was extended from 2010 to 2012.
Net financial debt was further reduced in 2007. Following the acquisition, the ratio of net financial debt to EBITDA equalled 3.50; by end-2007 this had improved to 1.42.
To coverthe share plan, a total of 200,000 shares were bought back at a price of € 24.13 per share.

The backdrop

These highly satisfactory results were achieved against the backdrop of a European temporary employment market which showed two very different faces in 2007. In the first two quarters it looked as if we were heading for double-digit revenue growth in all the countries we operate in. Then in the summer came the initial reports of a possible global financial crisis. This depressed business confidence: companies started to postpone investment decisions and a number of planned capacity expansions were put on hold.
Together with ongoing economic trends, this translated into a gentle decline in the demand for flex workers, particularly from large corporates. This slowing of growth was felt most acutely in the early-cyclical general staffing segment in our home markets of Belgium and the Netherlands.
In this less favourable market environment, our multibrand strategy once again proved its worth: it is the reason that USG People is less vulnerable to cyclical changes than many of our competitors.

Acquisitions outside the Benelux

During the year under review we also further strengthened and gave substance to USG People's long-term perspective. Our positions in France, Germany and Spain were reinforced, mainly through organic growth but also by a number of targeted acquisitions in these countries. As a direct consequence, the markets

outside the Benelux now account for 35 per cent of group revenue (2006: 33.7%). The contribution of non-Benelux countries to group EBITA also increased, from 12.2% in 2006 to 17.8% in 2007. In Germany USG People acquired Geko Zeitarbeit GmbH, which is active in North Rhine-Westphalia and provides staffing and secondment services in the tight market for technical specialists. In France we acquired Multi Compta, which specialises in the mediation of temporary positions for financial specialists in the metropolitan areas of Paris and Lyon. In Spain, the acquisition of Professionalia Plus included the successful internet platform Secretaria Plus, which has a database of over 100,000 office workers and secretarial staff.

Launches outside the Benelux

USG People is seeking to take better advantage of the growing demand in countries relatively new to temporary employment by launching specialist staffing services in potential growth markets. For example, the acquisition of Secretaria Plus was another step towards launching Secretary Plus in Spain, with the first branches due to open for business in 2008. Spain is USG People's third home market. It seems likely that it will only be a matter of time before demand for more highly qualified flex staff for more specialised positions takes flight here, too. The launch of Secretary Plus in France and Austria is also progressing well. In 2007 we started preparations for the launch of Unique in Italy, with the first three branches set to open their doors in 2008.

HR services improved

In 2007 Start People linked up with a number of Dutch entrepreneurs to develop an 'online HR manager'. The new service, HR Solutions, gives small and medium-sized businesses 24-hour access to tailor-made advice on practical HR issues.

Innovation and entrepreneurship

The new initiatives and concepts that were developed and introduced in 2007 once again demonstrated that entrepreneurship is deeply rooted in USG People's corporate culture. With the introduction of the job-learning centres known as 'Leer-werkplaza', Start People showed that it knows what is going on in Dutch society. It is with some pride that we can state that this combination of responsibility and entrepreneurship has led to a win-win situation that works to the benefit of candidates, regional training centres and Start People.
The new concept ASA Student is a resolute response to the expected shortage of highly-educated staff. In 2010 it is expected that there will be a structural shortage of 75,000 graduates of universities and higher professional education institutions in the Netherlands. Moreover, this new generation of workers requires a different approach and new propositions from employers as they increasingly turn to online solutions to their information requirements. That is why ASA Student formed a strategic partnership with All4Students, whose services include operating www.studenten.net, the biggest digital student community in the Netherlands.
The fact that communications increasingly take place online and via social networks prompted Unique in Spain to launch Alejandra. In the space of a few months this virtual consultant managed to generate no fewer than 12,000 CVs, of which over 40% led to mediation.

Increasing internal efficiency

Following the acquisition of Solvus in 2005 we launched a big efficiency drive in 2006 involving the merger of our shared service centers in Belgium, Germany, Italy and Spain. This drive was completed in 2007 with the merger of the support services in the Netherlands. We used the experience gained to reorganise parts of the Dutch shared service center during 2007. Starting points for this were maximum involvement from our shared service staff in the operating companies' support processes, and maximum flexibility with a minimum of bureaucracy. The relevant staff now work in dedicated teams for one or more operating companies. Initial feedback in late 2007 was very positive.

Strengthening the multibrand strategy
In 2007 we reinforced our multibrand strategy by further streamlining and simplifying our portfolio of brands. This led to a number of brands being merged. For example, the specialist brands Innotiv, Beaver IT services and United Technical Solutions joined forces. As USG Innotiv the new combination is now large enough to build its own European network so it can provide services to clients in other countries of operation.
United Restart, Carela and Accea have been combined to form USG Restart. Demand for integrated HR services is growing and clients can now consult USG Restart on all subjects concerning advice, outplacement, recruitment, reintegration and career development.
In 2006 we announced plans to bring all our general staffing activities under the Start People flag. Up until then we had provided general staffing services under three different brand names: Start, People and Creyf's. Together these brands had accounted for about 60% of group revenue in the previous financial year. Research showed that in the general staffing market operating under a single brand name is a condition for targeting the market more efficiently. Not just from the point of view of costs and increased visibility, but particularly because our clients in the general staffing segment require uniform support in all the countries where we operate. As a result, the Creyf's brand disappeared from the high street in many European countries in the course of 2007.

Trends and market developments
In addition to the current financial crisis we also expect a further slowing of economic growth, particularly in Western European countries. This has direct consequences for the market for staffing and secondment services. But as well as stagnating economic growth, we also expect tight labour market conditions and changes in legislation to lead to a positive development in the image of flexible employment and a higher degree of penetration. This will be particularly apparent in countries that are relatively new to temporary employment services. The arrival of a new generation of jobseekers also means changing the way we work and do business. With more focus on communications online, initial contact will increasingly have to be made through these channels.

Strategic targets
We believe that by continuing to pursue our existing strategy, USG People will be able to meet the challenges ahead and revenue will continue to grow. In spite of the economic uncertainty, we are not dissatisfied with the initial results achieved in 2008. During the year under review USG People once again showed that it has the best positioning as a European multibrand player. We also once again proved our ability to attract and retain the best staff. Combined with our policy of placing responsibility low within the organization, this gives us the best entrepreneurs and highest levels of creativity where we need them most – in the field. This enables us to respond quickly and flexibly to current developments in the market. We therefore see no reason to adjust our policy for 2008. Our ambition is still to be the most profitable player in the European staffing and secondment market.
So we have set the following objectives for 2008:

- Strengthening of our multibrand strategy, with a healthy balance between general and specialist staffing services;
- Further revenue growth, both organic and through acquisitions. The main emphasis for takeovers in the Benelux will be on specialist services, elsewhere it will also be on acquiring scale;
- Constant focus on attracting and retaining the best candidates for our clients;
- Ongoing development of new technologies aimed at enhancing the services we provide and optimising distribution channels;
- Ongoing professionalisation of our internal organization with a clear focus on staff.

Financial developments

From a financial point of view, USG People was very successful in achieving its strategic targets in 2007. Revenue grew by 10%, while profitability increased. In other words, the company achieved growth with improved profitability, which is one of the cornerstones of group strategy. In addition, the company achieved a better geographical spread of both revenue and income in 2007, starting up and rolling out specialist activities in countries outside the Benelux. In France, Spain and Germany acquisitions were made in the specialist segments, and successful specialist brands were exported to promising regions outside the home markets of the Netherlands and Belgium. There was also innovation, with new product concepts developed and launched during the year under review, including the ASA Student concept. To summarise: major progress was made with respect to all USG People's strategic pillars in 2007.

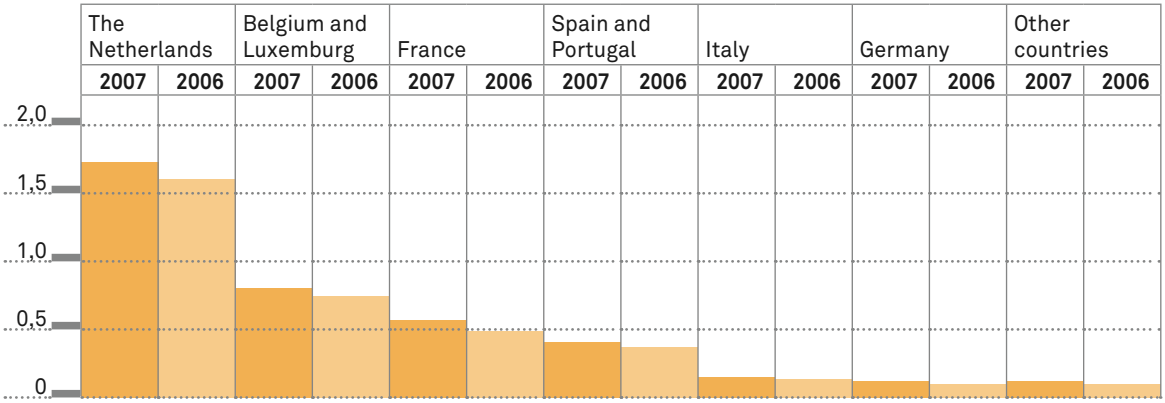
Amounts x 1 million euro	2007	2006	Difference
Revenue	3,888	3,537	9.9%
Gross profit	968	847	14.3%
Operating costs	681	615	10.7%
Other revenues and costs		19	
Depreciation	27	26	3.8%
EBITA	260	226	15.0%
Amortisation of goodwill	16	31	-48.4%
EBIT	244	194	25.8%
Net income	140	111	26.1%
Gross margin	24.9%	23.9%	
EBITA margin	6.7%	6.4%	

Revenue
Revenue rose by 10% in 2007, with 9% being due to organic growth. The strongest growth was achieved in the specialist segments and in the countries outside the Benelux. The higher growth levels in the specialist segment and an increase in the gross margin helped raise profitability. Expansion took place in France, Spain, Germany and Poland, both through acquisitions and the opening of new branches.

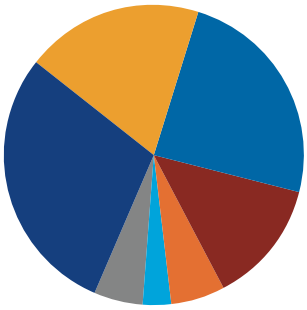
Growth trends
Revenue grew in all regions, with the strongest growth realised in the regions outside the Netherlands and Belgium. This further reduced the company's dependence on the Benelux. In the countries outside the Benelux, revenue growth amounted to 14.8%, while growth in the Benelux reached 7.8%. Revenue from countries outside the Benelux accounted for 35% of the total.

Revenue by region

x 1 billion euros

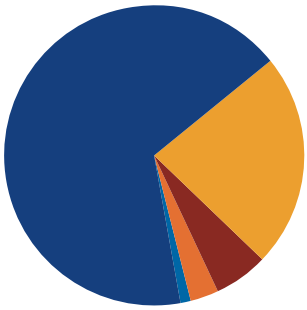


Geographical spread general staffing



%	
30	The Netherlands
19	Belgium and Luxemburg
24	France
13	Spain and Portugal
6	Italy
3	Germany
5	Other countries

Geographical spread specialist services

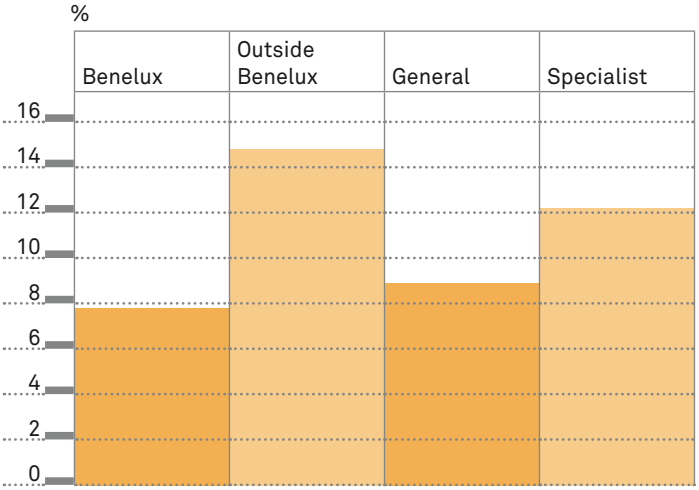


%	
67	The Netherlands
23	Belgium and Luxemburg
6	Spain and Portugal
3	Germany
1	France

Revenue by segment

x 1 billion euros

2007 Revenue growth compared to 2006



A breakdown by activities shows that the specialist segment achieved the strongest growth in 2007: 12.2%, compared with growth of 8.9% for the general staffing segment. Specialist revenue accounted for 40% of group revenue in 2007.

Stronger growth trends and acquisitions in the countries outside the Netherlands and Belgium contributed to a better geographical spread of revenue. France, Germany and Austria, as well as Poland and the Czech Republic, showed strong revenue growth in 2007.

The launch and rollout of tried and tested brands outside the Netherlands and Belgium, as well as the acquisition of specialist businesses, contributed towards a more profitable mix of activities. In this way, USG People is rolling out its successful multibrand strategy beyond the Netherlands and Belgium.

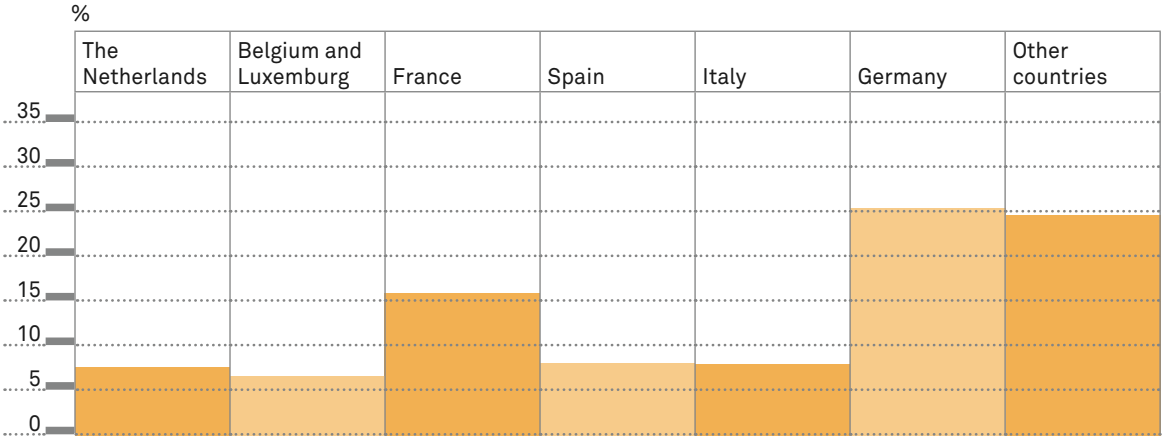
Gross margin

The gross margin equalled 24.9% in 2007, up 100 basis points from 23.9% in 2006. Continuing demand for staff, especially in the Netherlands and Belgium, made for tighter labour market conditions, which in turn had a positive impact on pricing. In addition, there was an increase in the number of companies paying a fee to offer permanent contracts to flex workers, while the demand for recruitment and selection of candidates for permanent contracts also increased. These developments had a positive impact on the gross margin, which showed an upward trend from the second half of 2006. In France, the margin was also boosted by one-off items: in 2007 the French government temporarily adjusted a subsidy provision which resulted in an extra subsidy of € 12 million. Excluding this effect, the gross margin stood at 24.6%.

Operating costs

In 2007 the branch network was expanded by 100 branches, of which eleven derived from acquisi-

2007 Revenue growth compared to 2006



tions. The FTE headcount increased by over 500 or 6% compared with the end of 2006, including the acquisitions made in 2007. In addition to expansion costs, there was an extra cost item of € 12 million relating to rebranding costs. Excluding these rebranding costs, costs rose by 8.7%. Costs equalled 17.9% of revenue, compared to 18.1% the previous year. Including the one-time extra cost item, costs rose by 10.5%.

Amortisation of intangible assets
Amortisation of intangible assets amounted to € 16 million in 2007, of which € 13 million related to regular amortisation of stated brand rights and client relationships. In addition, € 3 million of goodwill was amortised as a result of extraordinary downward value adjustments.

Financial expenses
Financial expenses increased to € 33 million, € 1 million more than in the previous year, while the net debt position, including subordinated loans, decreased by € 41 million. Net debt fell from € 611 million at the end of 2006 to € 570 million at the end of 2007. The increase in financial expenses was due to a rise in the market interest rate and a downward adjustment in the valuation of interest rate derivatives. The result from interest rate derivatives was € 2 million in 2007 against € 4 million in 2006. Ordinary interest expenses, excluding the result from interest rate derivatives, fell from € 36 million in 2006 to € 35 million in 2007.

Tax burden
The effective tax rate on the income statement equalled 33.4%, which was higher than the average standard rate of 30.3%. The tax burden was increased by non-deductible expenses, particularly in Belgium, and by adjustments for deferred taxes as a result of rate changes in Spain, Germany and Italy and the writing off of non-refundable losses. On the other hand, tax-free revenues from the exempted coordination centre in Belgium had a positive effect on the tax burden. On balance, the tax rate on the income statement was 3.1 percentage points higher than the average standard rate. The cash out tax rate stood at 18.1%. The standard tax rate is equivalent to the standard tax rates that apply in the various countries where USG People operates.

Tax rate in 2007	
Average standard rate	30.3%
Tax-exempt revenues	-5.9%
Non-deductible expenses	2.9%
Adjustment for deferred taxes	5.6%
Adjustment for previous years	0.5%
tax rate on profit & loss account	33.4%

Net income
Net income in 2007 amounted to € 140 million, up 26% from € 111 million in the previous year. Earnings per share increased to € 2.21 from € 1.76 in 2006.

Balance sheet
The balance sheet total increased in 2007 to € 1,959 million, rising by € 59 million during the year as a result of organic growth and the addition of acquisitions. Aided by an increase in equity and a reduced debt position, the solvency rate improved from 30% in 2006 to 35% at the end of 2007.

Summarised balance sheet	31-12-07	31-12-06
Goodwill	861	801
Other non-current assets	186	196
Deferred tax assets	41	69
Working capital	216	178
Total non-current assets and working capital	1,304	1,244
Shareholders' equity	686	576
Long-term provisions	9	11
Deferred tax liabilities	39	46
Subordinated borrowings	172	181
Net borrowings from financial institutions	398	430
Total net debt position	570	611

Goodwill
In 2007 acquisitions took place in France, Spain and Germany, boosting goodwill on the balance sheet. There was a small adjustment in the Dutch portfolio as a result of the sale of Telecom Direct Almere in early 2007. In France, Spain and Germany the specialist brands Multi Compta, Secretaria Plus and Geko Zeitarbeit were added respectively. On balance, goodwill on the balance sheet rose by € 60 million to € 861 million. The increase was the result of the addition of € 39 million due to the aforementioned acquisitions and the divestment of subsidiaries, and an extraordinary downward value adjustment of € 3 million and reclassification of € 18 million due to intangible assets.

Investments
Investments in 2007 totalled € 43 million compared to € 33 million in 2006. The increase was mainly due to investments related to the furnishing and converting of new and existing offices, and furnishing the new head office in Almere, the Netherlands. Investments equalled 1.1% of revenue, also slightly up on the previous year.

Shareholders' equity
On balance, shareholders' equity increased in 2007 as a result of operating adjustments. All acquisitions in 2007 were financed from current facilities. In 2007, equity rose by € 110 million to € 686 million at 31 December. Equity was boosted by the 2007 net income of € 140 million, offset by the payment of a cash dividend totalling € 29 million. The remaining € 1 million is an adjustment relating to staff benefits (share plan and exercised option rights).

Financing
The ratio of net debt to equity stood at 0.8 at the end of 2007 compared to 1.1 a year earlier. Acquisitions in 2007 were funded from operating cash flow and no share offerings took place. Out of the outstanding subordinated convertible bond, only one bond with a nominal value of € 1,000 was offered for conversion. In addition, € 41 million was repaid on existing loans. A second annual repayment of € 13 million was made on the subordinated private loan in line with the repayment schedule, leaving a balance of € 75 million. Net debt to financial institutions declined from € 430 million to € 398 million, with the fall due to strong operating cash flow. Total net debt amounted to € 570 million at 31 December 2007 compared to € 611 million at the end of 2006. The existing € 700 million credit facility was renegotiated in the second quarter and once again has a five-year term.

	2007	2006
Equity	686	576
Subordinated convertible bond	97	93
Subordinated private loan	75	88
Net debt to banks	398	430

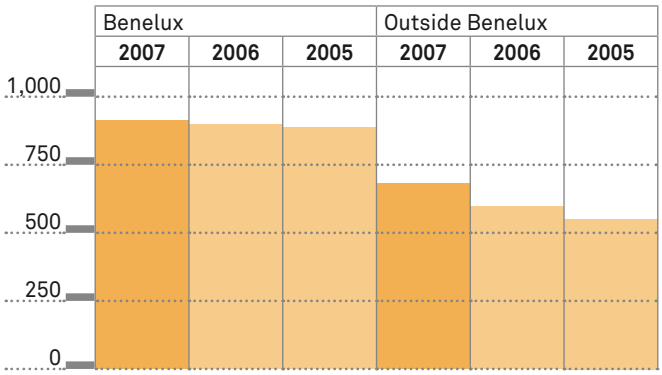
Provisions
In 2007 provisions declined from € 26 million to € 17 million. The biggest change was to the reorganization provisions. These provisions for the reorganization and integration of Start and Solvus fell by € 7 million – from € 13 million at the end of 2006 to € 6 million at the end of 2007. Of this € 7 million, € 4 million was used for the integration of former Solvus units and € 3 million for the integration of Start. The other provisions mainly concern a pension provision and a provision to cover legal claims.

Dividend
The multi-year dividend policy is based on the assumption that one-third of net income before amortisation will be paid out in dividends. Net income for 2007 equalled € 140 million, plus a net amount of € 13 million for amortisation. The dividend can therefore be calculated as one-third of € 153 million, or € 51 million. Hence, based on a total of 64 million shares issued, the dividend for 2007 equals € 0.81 per share.

Operational overview and market developments

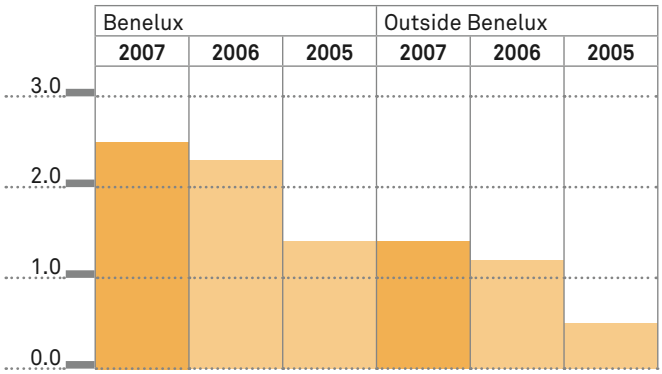
Geographical spread
USG People improved its geographical spread with acquisitions in France, Germany and Spain, and also expanded its existing branch networks with 89 new branches. These expansions, which took place mainly in the specialist segments and in the regions outside the Benelux, improved the geographical spread of the group's activities and further reduced its dependence on the Netherlands and Belgium.

Number of branches



Revenue

x 1 billion euros

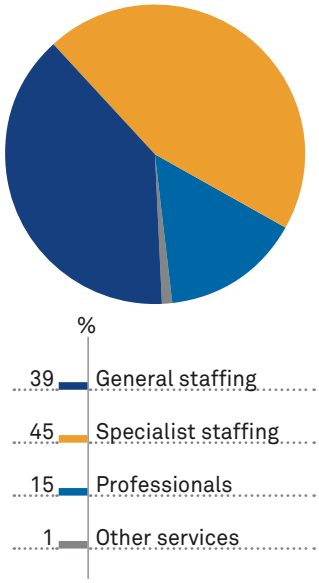


The Netherlands

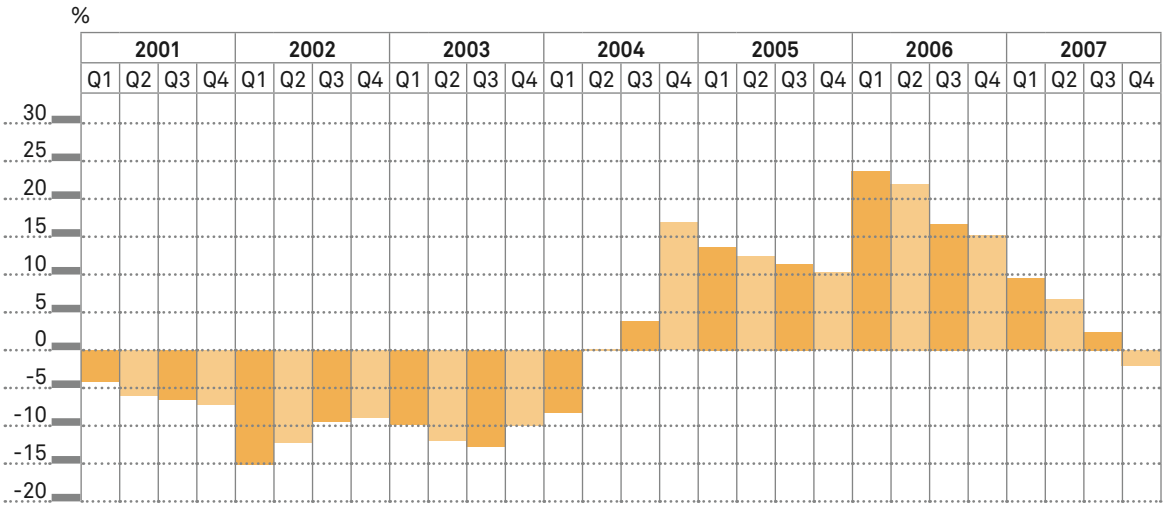
The Netherlands is still a very important market for USG People. More than two-fifths of group revenue and over three-fifths of income in 2007 was generated in the Netherlands. This demonstrates the added value of our multibrand strategy in this mature home market, where a large part of our group portfolio is made up of specialist brands. With a penetration level of around 4.3% in 2007, the Dutch temporary employment market is one of the most mature, which also makes it sensitive to economic trends. The USG People portfolio has a broad spread, with activities aimed at various segments. Brands that focus primarily on large international corporates, such as Start and Content, are early-cyclical and react sooner to economic trends than for example Unique, which focuses mainly on the SME segment. That means that economic growth in the Netherlands is one of the main variables that affect the growth of USG People's activities. In the final quarter of 2006, economic growth in the Netherlands started to slow slightly; the temporary employment market reacted and in the course of 2007 the pace of growth in the temporary employment market slowed, following a year of exceptionally high growth. In terms of the number of working hours sold, the Dutch temporary employment market as a whole grew by 3.4% in 2007 compared to 2006; in terms of revenue, market growth was 7.9%.

As well as the decline in growth, there was tightness in the labour market, with shortages seen especially for highly educated and tech-

Revenue per activity
The Netherlands



Growth in number of hours sold in the Dutch market (ABU/NIPO)



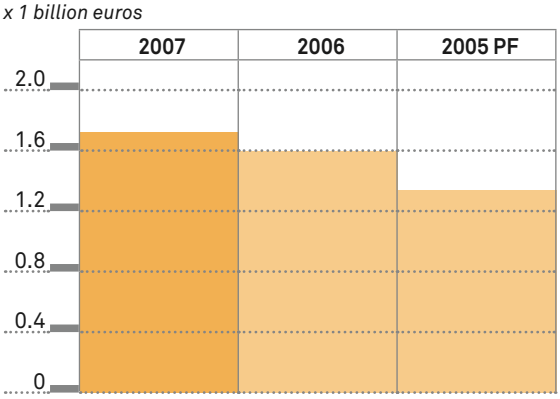
nical staff. This led to higher pricing and strong demand for candidate recruitment and selection. For USG People, these developments translated into a record year for profitable growth (growth accompanied by higher profit margins), meaning the tremendous potential in the Netherlands following the acquisition and integration of Start and Solvus has been realised.

Slowing growth in the market was mainly due to a decline in demand from the government and large international corporates, especially the bank and insurance sector. Growth in the small and medium-sized enterprise segment continued to pick up pace. USG People achieved organic growth of 8.1%, outpacing the market thanks to a stronger performance by the specialist brands. A number of brands that operate in niche markets in particular performed exceptionally well. The big agencies Start People, Content, Creyf's, Unique and Technicum, which offer their services to a broad market, posted combined growth of 7.9%, in line with the overall market.

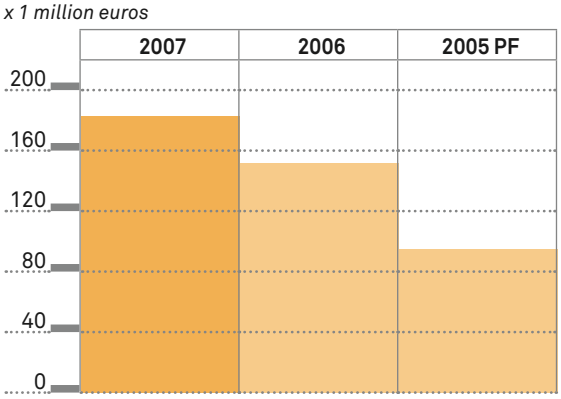
In 2007 Start People further expanded its in-house activities, largely offsetting the market decline in the large-corporates segment. In addition, Start People signed a number of long-term contracts with the Dutch government, further strengthening its market position with the central government. Content was able to offset a decline in hiring volumes from banks and insurance companies by focusing on higher job profiles, secondment, and recruitment and selection, while Creyf's posted exceptionally strong growth in the SME segment. ASA Studenten Uitzendbureau, still part of Creyf's in 2007, also performed well with its strong market leadership position enabling it to benefit from the increasingly heated 'war for talent'. In contrast to the slowing of growth seen for the large corporates, growth in the small and medium-sized enterprise segment in the Netherlands, which responds later to economic developments, improved further in 2007. As a result Unique, traditionally strongly represented in this segment, experienced an excellent year, with growth that outpaced the market growth rate. Technicum, which supplies technical staff at junior and intermediate vocational training level to a broad market, benefited from the strong demand for professional technical staff, which enabled it to achieve double-digit growth. Across the board our big agencies delivered a very strong performance in 2007.

The specialist and professional brands, which target specific niche markets, achieved combined organic growth of 8.6%. In early 2007 the call centre activities were divested following the termination of the training activities in early

Revenue The Netherlands



EBITA The Netherlands



2006. Among the specialist brands, Secretary Plus and StarJob continued their exceptional path of growth, with these markets also experiencing a strong increase in recruitment and selection. Growth at Ad Rem Young Professionals lagged behind somewhat as a result of its transformation from a higher-segment office temping agency into a genuine intermediary for young professionals in the higher vocational education (hbo) segment, also with an increased focus on recruitment and selection. This means Ad Rem has become a real niche player, with a strong profile towards young hbo candidates. And given the tightness in these niche markets, the word is: 'Whoever has the candidate, has the client'.

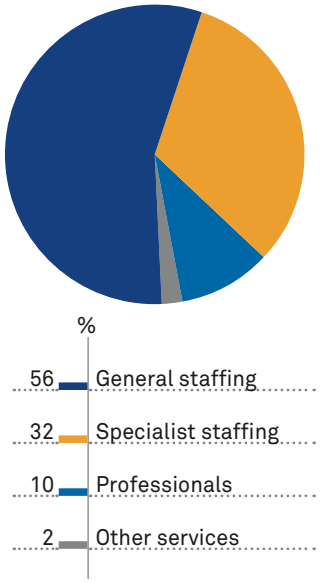
In the professional segment, USG Innotiv and USG Capacity saw their growth somewhat restricted by the shortage in supply of the highly-qualified professionals they work with. As a result, more self-employed people (ZZPs) were drafted in, which slightly depressed margins in favour of a higher absolute result.
USG Energy, market leader in the secondment of qualified staff for the oil and gas industry on the Dutch continental plate, achieved growth that outpaced the market in 2007, partly because the drilling and production islands in the North Sea were operating at full capacity due to the high oil prices. USG Energy primarily supplies staff for offshore operations in the North Sea. For Utrechtse Juristen Groep (UJG), 2007 was mainly a year of integration and organizational change following the takeover in 2006. USG Restart saw a slight drop in revenue in 2007 due to the declining reintegration market. Call-IT achieved organic growth of 16% in 2007, with strongly improved profitability levels.

Further substantiation of the brand strategy in 2007 and the restyling that went with it gave the Dutch operating companies that target niche markets a much stronger profile towards their specific target groups. As a result, USG People now has an effective brand portfolio which will eventually be more profitable.

Belgium and Luxemburg
In 2007 the Belgian temporary employment market grew by 7% in volume, while growth in terms of revenue amounted to 10%. Growth was strongest for non-industrial flex workers, the white-collar segment, where the number of working hours sold rose by more than 11%. In Belgium, structural shortage on the labour market is increasing and despite a relatively high level of unemployment, the number of unfilled vacancies rose in 2007. In some Belgian regions this helped boost prices and margins, which in turn improved the profitability of temporary employment companies. As the temporary employment sector is not permitted to supply flexible staff to government organizations, the level of penetration in Belgium lags behind that of countries such as the Netherlands. It is as yet unclear when this sector may be liberalised.

In the early part of 2007, USG People saw its Belgian revenue growth lag behind the wider market, but was able to correct this in the course of the year. Revenue growth for the year equalled 7%. Lower growth at the beginning of the year

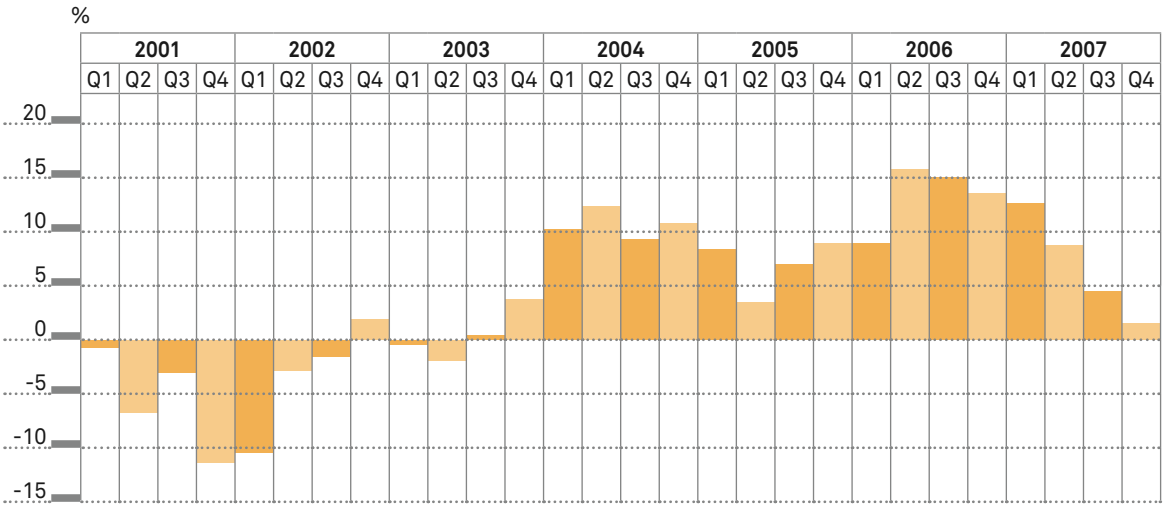
Revenue per activity Belgium and Luxemburg



was mainly due to the termination of several low-return contracts at the end of 2006.

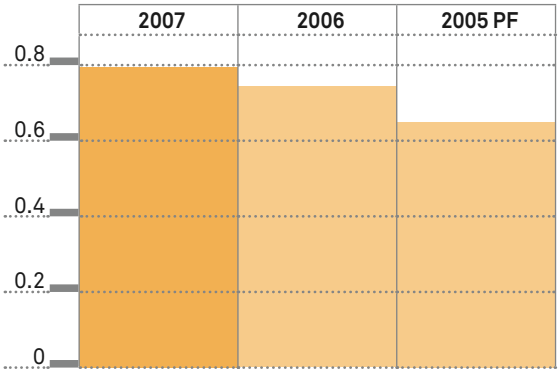
In 2007 the Creyf's brand was successfully re-branded as Start People, with all expressions being brought into line with the new house style. Backed by a marketing campaign in 2007, the re-branding exercise was well received by both candidates and clients, enabling the number of temporary staff employed to remain stable. We also successfully launched a so-called customer delight programme. This programme has led to a demonstrable improvement in customer friendliness, which has resulted in higher registration numbers and an increase in the number of candidates placed. In 2007 the focus was on rolling out the in-house activities. Fine-tuning of and process improvements in the proposition enabled Start People to respond better to clients' needs, leading to a substantial increase in its number of in-house branches.
The specialist brands in Belgium benefited from the labour-market shortage of highly-trained specialists and technical staff. In order to be

Growth in number of hours sold in the Belgian market (Source: Federgon data)



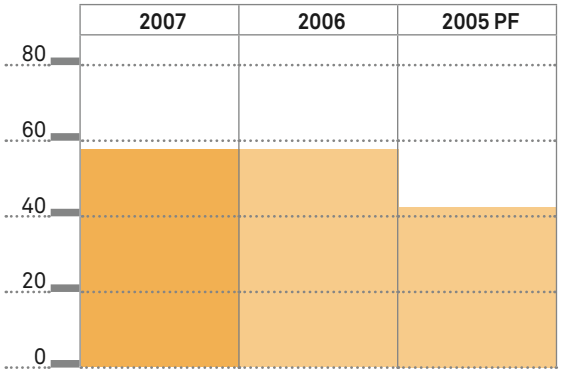
Revenue Belgium and Luxemburg

x 1 billion euros



EBITA Belgium and Luxemburg

x 1 million euros



able to respond more effectively to the tight labour market, Unique successfully carried out an efficiency operation in its front-office activities. By improving and enhancing its matching facilities, Unique succeeded in making its proposition more attractive. In 2007 Unique also launched an activation project for over-45s, designed to provide specific tools for giving this growing target group a real chance of finding a job. Unique also reached a milestone in its capacity as an employer: it is the only one out of all the participating HR companies to have been named best employer of the year by the HRM Centre of the Vlerick Management School for the fifth time in a row.

Secretary Plus grew by 24% in 2007, thanks to the opening of new branches and its focus on secondment activities. Secretary Plus was able to further expand its market leadership position in 2007 by focusing on the segment of highly-qualified, multilingual management assistants.

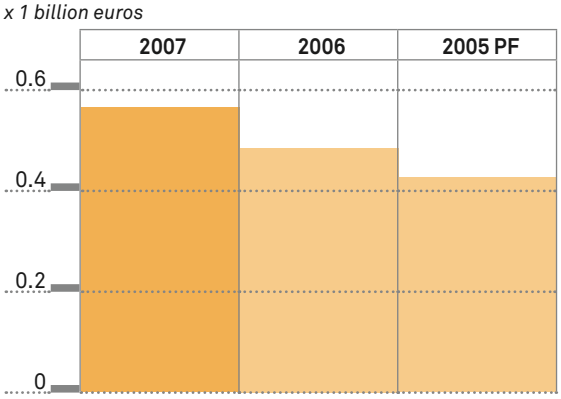
The brand portfolio in the professional segment was optimised in 2007. Brand names belonging to this segment were re-branded so as to create a clearly recognisable link with the parent company and strengthen their market propositions. The aim was to create economies of scale and synergy benefits for these brands, which are active in specialist market areas. To bring this about, Beaver IT services was re-branded as USG Innotiv ICT, United Technical Solutions as USG Innotiv Engineering and Financial Forces as USG Financial Forces. In addition, the specialist HR activities were integrated into USG HR Forces, enabling organizations to address specialist HR requirements such as outplacement, assessing, recruitment and selection and secondment. As a result of the optimising exercises carried out, revenue in this segment grew by over 18% in 2007 and the gross margin increased substantially.

France

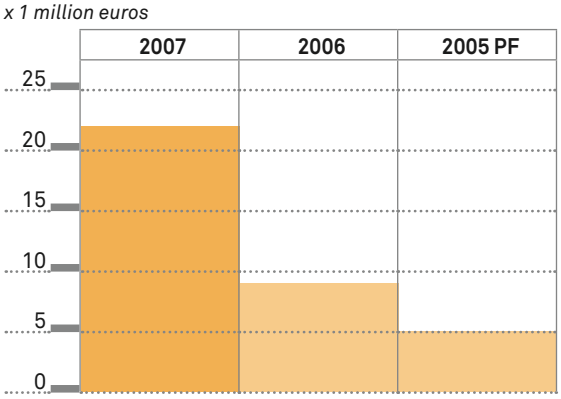
De French temporary employment market grew by around 6% in 2007. During the year, the pace of growth slowed: the first quarter started remarkably strong with market growth of around 10%, followed by a gradual slowing to around 3% in the final quarter. Creyf's opened nineteen new branches in 2007 and considerably outperformed the market with growth of over 14%.

France is the third-largest area of operation for USG People, after the Netherlands and Belgium, and from a strategic point of view is earmarked as one of the group's growth regions. The level of penetration of general flex work was around 2.5% in 2007, the second-highest figure in continental Europe. However, compared to more mature markets such as the UK and the

Revenue France



EBITA France



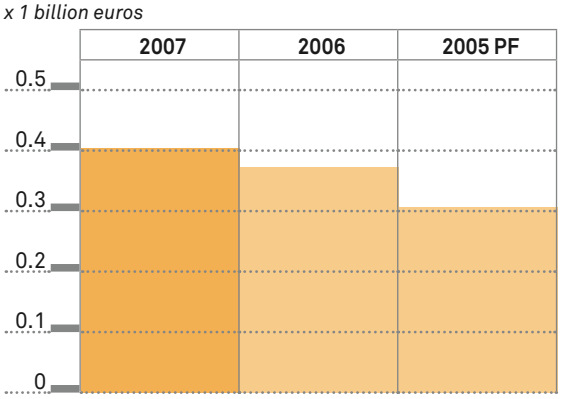
Netherlands, which have penetration levels of around 4.5%, this is still relatively low, particularly considering the degree of specialist services offered. The French market is primarily characterised by traditional temping work – mostly industrial flex workers in the blue-collar segment. This is partly due to the restrictive regulations in France, where employees have strong representation through the French trade unions. French government organizations are not permitted to employ temporary staff. General expectations are that labour market legislation will slowly but surely be relaxed over the coming years, which should raise the penetration level. Herein lie great growth opportunities for USG People given that, in addition to its general staffing activities, our group as a specialist multibrand player has experience in providing specialist services and will be able to roll out several of the specialist brands which are already highly successful in the Benelux to this region.

In 2005 and 2006 the specialist brands Secretary Plus, USG Innotiv and USG Financial Forces were introduced and launched in France, with two branches for each brand. In 2007 the roll-out of these brands continued – Secretary Plus opened five new branches, USG Innotiv two and USG Financial Forces one. In addition, the USG Restart brand was launched with the opening of three branches in early 2007. Multi Compta, the financial profile specialist, was acquired in 2007 and operationally merged with USG Financial Forces, boosting the latter's presence to ten branches in five major cities including Paris, Lyon and Marseilles. These expansion exercises boosted the total number of specialist branches in France from six to 24 in 2007, with specialist revenue rising from € 1 million in 2006 to € 12 million in 2007 (including Multi Compta on a pro rata basis).

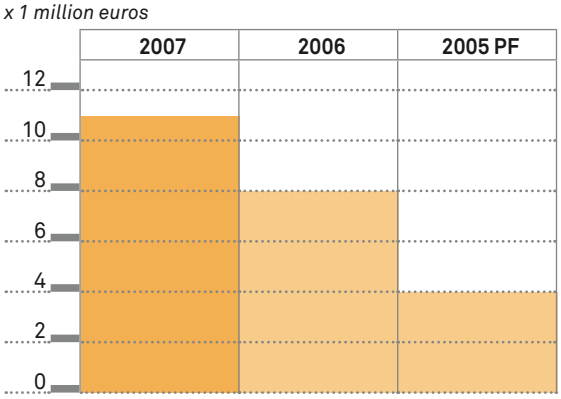
Spain and Portugal

The Spanish temporary employment market, where USG People has a top-three position, posted estimated growth of 7% in 2007. In the past few years the Spanish temporary employment market has seen sharp revenue growth, on the one hand as a result of structural growth due to increased penetration levels of flex workers and on the other due to strong economic growth of almost 4%. In the second half of 2007 this growth started to slow somewhat, which translated into a slower growth rate in the temporary employment market. At around 1% the penetration level in Spain is still low, and even lower in Portugal, leaving plenty of room for considerable structural growth. The high economic growth rate is expected to be slowed somewhat by the disproportionately rapid rise in housing prices in this region. Although the construction sector has

Revenue Spain and Portugal



EBITA Spain and Portugal



no direct impact on the temporary employment sector as temping agencies are not permitted to supply construction staff, construction does have an indirect effect on other sectors in the economy that are permitted to place temporary staff. However, given the low level of penetration the outlook continues to be favourable and the Iberian market remains an important growth region for USG People, which is why we further expanded our activities here in 2007. The branch network expanded by eighteen branches in total, of which seven for specialist brands, and in 2007 we also acquired Secretaria Plus, a platform for Spanish-speaking secretaries, which will enable us to speed up the roll-out of our international brand Secretary Plus.

Following the successful integration of the activities formerly belonging to Solvus in the final quarter of 2006, the front-office organizational structure was revamped in 2007, an operation which also included moving branches to more effective locations. The restyling operation of the branches and websites was completed in 2007 and was supported by a large-scale marketing campaign. Thanks to these integration and re-branding operations we now have a stable and efficient branch network in this region.

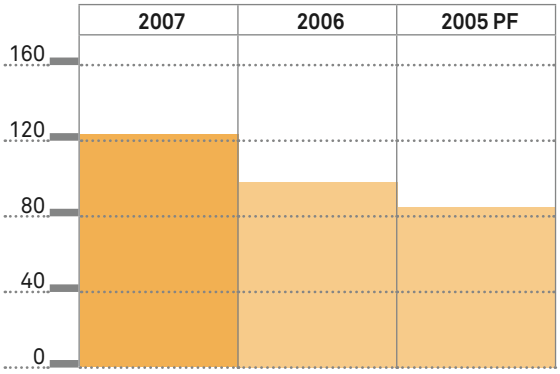
Despite all these changes, revenue growth remained stable at 8% in 2007, following a period of very strong revenue growth in the previous years. There was strong growth in the specialist activities. Unique benefited from the combined strength of two previously merged Spanish takeover partners and realised revenue growth of 28% for its specialist operations. Start People performed well in 2007 in the field of port and logistics activities and achieved growth of 4%. The professional segment, including SYS and USG HR Forces, saw revenue grow by 17%. Gross margins and profitability rose in 2007, mainly owing to the increase in specialist activities. The developments in Spain and Portugal once again underline the importance of a balanced mix between general staffing activities and specialist activities.

Germany

Germany is considered to be one of the most promising growth markets in Europe, which is why it is a strategically important growth region for USG People. In 2007 growth in the German temporary employment market circa 18%. Boosted by the positive effects of the labour market liberalisation started some years ago and the still low level of penetration, current market volume is expected to double in the coming years. Germany is presently in a highly dynamic consolidation phase. Several large local players were taken over by large global players in 2006 and 2007, with extremely high

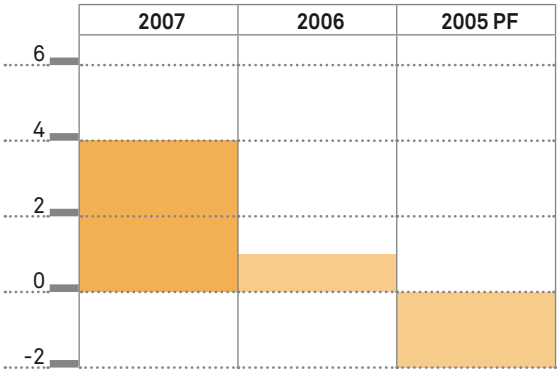
Revenue Germany

x 1 million euros



EBITA Germany

x 1 million euros



expectation values being priced in. In addition to growing the branch network organically, USG People also wants to make acquisitions in this market. A first step was taken in 2007 with the takeover of specialist player Geko Zeitarbeit. This company supplies technical specialists through its four branches in North Rhine-Westphalia and as a specialist is a good fit with USG People's portfolio. In addition, the existing branch network in Germany was expanded with eleven new branches in 2007, bringing the total number of branches at the end of 2007 to 75 (including the four of Geko Zeitarbeit GmbH).

In order to further improve both market position and profitability, it was decided to bring Creyf's and Unique together under the Unique name with effect from 2008. In the final quarter of 2007 preparations for this merger were well underway in the internal organization. This will enable us to better focus our marketing efforts and increase our economies of scale. Revenue of the group's companies grew by 26% in 2007 compared with the previous year and profitability improved across the board thanks to economies of scale and a reduction in back-office costs. The activities of Secretary Plus also performed well in 2007. During the year under review the number of branches was increased from five to eight, and growth of over 20% was achieved.

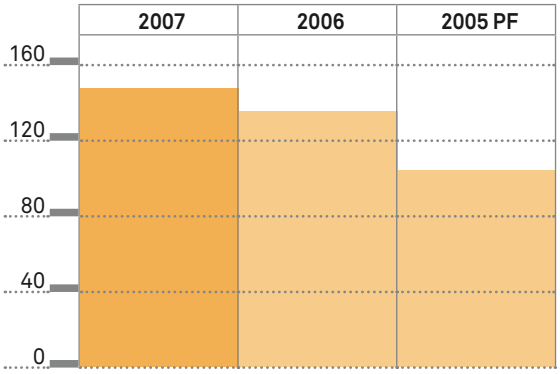
Italy

Thanks to increasing penetration levels and recent changes in legislation, in 2007 Italy was once again one of the biggest growth markets in Europe, with growth of over 10%. The Italian temporary employment market is expected to show continued growth in the years ahead due to a further increase in the level of penetration. In the first quarter USG People's focus was on merging and re-branding its Italian operations. The combination of the activities of Creyf's and Start into the Start People brand considerably increased the effectiveness and visibility of USG People. In the 25 major cities existing branches were merged or moved to better locations. Start People now has 85 branches spread across all the main economic centres. That means we now have the critical mass we need to be able to provide nationwide service to larger clients. This made individual branches less dependent on large clients in 2007. From the second quarter the focus was placed firmly on clients and candidates, enabling USG People to grow in line with the market from the second quarter.

In late 2007 USG People made preparations in Italy for the launch in early 2008 of the specialist brand Unique with three branches. Initial results are promising and confirm us in our opinion that there is room for a specialist office brand in the Italian temporary employment market.

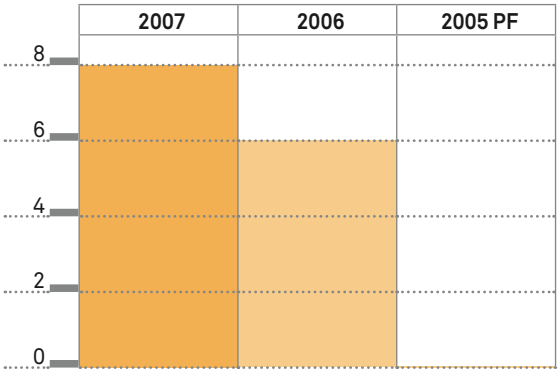
Revenue Italy

x 1 million euros



EBITA Italy

x 1 million euros



Switzerland, Austria, Poland, Czech Republic and Slovakia
Revenue in these countries is mainly generated by general staffing activities. In 2007 Creyf's was re-branded as Start People, a move which was well received by the market. We also made a start with the roll-out of specialist activities, building a solid base for the future.

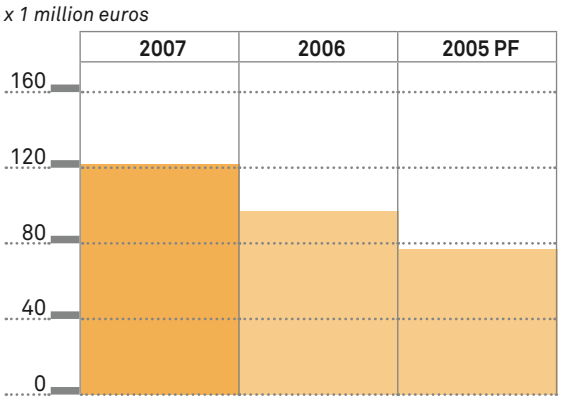
Austria
The temporary employment market, which is still primarily industrially orientated, developed well with a growth rate of 13%. Start People showed steady growth in the number of temporary staff during the year and exceeded the threshold of 1,200 flex workers employed. In order to increase front-office efficiency, a new IT system was implemented, allowing Start People to respond more effectively to clients' wishes.
Secretary Plus was launched with an office in Vienna in the spring of 2007. The secretarial market is promising and at present recruitment and selection would appear to be more popular than temporary staffing services in this niche.

Switzerland
After a good start to 2007, the Swiss temporary employment market was characterised by negative market growth from the summer. Start People was unable to offset the decline in demand from clients with new business, resulting in a slight fallback in revenue. In late 2007 an initial in-house branch was opened in Lugano.

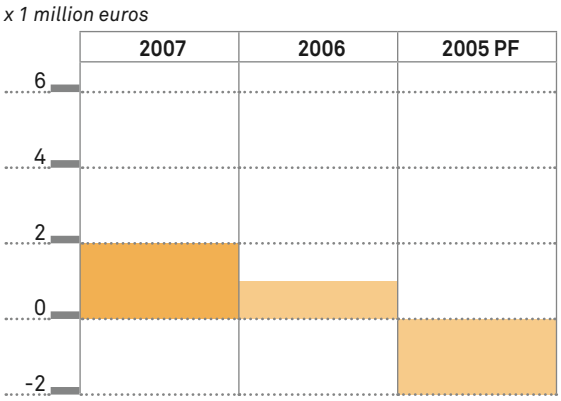
Poland
The Polish economy grew strongly in 2007, leading to increased tightness in the labour market. This tightness was mainly felt in office jobs and management, resulting in great upward pressure on prices. Start People grew in line with the market in 2007, with an exceptionally strong performance in the first two quarters. Due to decline in demand from several large clients and these clients taking on flex workers on permanent contracts, revenue lagged behind market growth rates in the final quarter. The implementation of a new front-office system enabled Start People to respond more effectively to the needs of clients and candidates, resulting in a strongly improved spread of clients. In addition, the in-house activities were further expanded with 10 new branches.

Czech Republic and Slovakia
Economic growth in the Czech Republic and Slovakia is strong and wages are rising due to the shortage of good personnel. USG People made investments in organization and structure in both countries in 2007, enabling it to respond more effectively to the changing market circumstances. In addition, visibility was improved by moving to better (more noticeable) locations. Profitability was boosted by the increased focus on recruitment and selection activities.

Revenue other countries



EBITA other countries



Risk section

This section provides details on the risks that can have a material impact on USG People's business and how these risks are controlled. The section concludes with a statement on the risk management and internal control systems within USG People.

USG People's approach is aimed at running calculated risks without endangering the going concern. This creates a positive balance between risk and returns.

Risk factors
Like any organization, USG People is exposed to various kinds of risks. This subsection describes the risk factors that can have a material influence on USG People's business in general, its operational results, financial results, its prospects and the actual outcome of forward-looking statements in this annual report.

For the sake of clarity, the risks have been grouped into the following categories:
1 Risks related to USG People's strategy;
2 Risks related to the company's business operations and compliance with legislation and regulations;
3 Risks related to corporate financing and reporting.

The risk factors as presented have been discussed with the audit committee and the Supervisory Board. It cannot be ruled out that in due course this summary will prove to be incomplete. There may be additional risks of which we are currently unaware, or risks which are currently classified as immaterial but which may, in due course, turn out to be of influence.

In the following overview, we indicate what USG People understands the various risks to mean.

1 Risks related to our strategic objectives.
Factors which could have a negative impact on USG People's ability to meet its strategic objectives in the European temporary employment market include:
- Limited economic growth
  - Unfavourable economic development in our countries of operation due to cyclical demand fluctuations;
  - An increase in unemployment contributions and employee insurance premiums, resulting in margin pressure.
- Low level of penetration
  - Insufficient market (growth) potential as a result of limited social acceptance of temporary employment in some of our countries of operation;
  - Negative developments in legislation, which limit the provision of employment market services or impose additional licensing requirements.
- Insufficient organic growth and/or acquisitions
  - Failing to respond in time to changing client needs and competitors' market propositions.

While these risks are present in all our countries of operation, their impact varies from country to country. In more mature temporary employment markets, such as the Netherlands and Belgium, revenue growth is strongly cyclical, while in other, less mature markets, growth is dependent on both cyclical trends and structural demand. Cyclical demand is driven by economic growth, while structural growth is influenced by the degree of social acceptance and changes in legislation.

2 Risks related to the company's business operations and compliance with legislation and regulations.
If the control measures surrounding the business processes do not function properly, this can lead to risks which are or are not (directly) related to compliance with legislation and regulations.

Examples of risks related to business operations:
- Pressure on continuity due to a shortage of (qualified) corporate employees and flex workers;
- Programming faults, failure and violation of the computer systems;
- Late and incorrect payment of flex workers' salaries;
- Incorrect invoicing of clients;
- Failure to make full use of predicted synergy benefits following acquisitions;
- Inability to use trade names in countries of operation due to intellectual property rights.

Examples of risks related to compliance with legislation and regulations:
- Inadequate response to changes in local legislation owing to its complexity and the considerable differences in legislation between our various countries of operation;
- Tax liabilities, for example arising from failure to comply with social legislation;
- Claims from clients arising from improper actions by employees or flex workers.

3 Risks related to corporate financing and reporting.
Corporate financing and financial reporting are an important theme in USG People's risk management and control systems, partly because of their specific risk profile. Examples of such risks are:
- Failure to comply with the terms of bank covenants, resulting in capital providers demanding accelerated repayment of debts. Total net debt at 31-12-2007 stood at € 570 mln;
- Failure to collect receivables. Outstanding receivables at 31-12-2007 equalled € 800 mln;
- Negative impact of interest rate fluctuations on interest-bearing debt;
- Mandatory extraordinary impairment of goodwill, which can affect the net income figure. At 31-12-2007 goodwill on the balance sheet totalled € 861 mln;
- A shortage of liquidity due to excessive seasonal effects, resulting in strong fluctuations in working capital;
- Improper functioning of bookkeeping and financial reporting processes.

USG People has organised its risk management and control systems in such a way that the risks are managed sometimes by one but usually by a combination of measures. The following subsection describes the system of (combined) measures designed to manage the risks set out above. For a description of the risks surrounding financial instruments and how they are controlled, please refer to the explanatory notes on the annual accounts.

Internal risk management and control systems
Within USG People it is the Executive Board and the Board of Management who have responsibility for the internal risk management and control systems framework. This is based on the Enterprise Risk Management-integrated framework drawn up by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The internal risk management and control systems within USG People aim to:
- Limit the risks connected to our strategy and strategic objectives;
- Guarantee business processes are effective and efficient;
- Ensure relevant (internal and external) legislation and regulations are complied with;
- Ensure reliable bookkeeping and financial reporting procedures are in place.

The USG People framework comprises five elements: the control framework, risk assessment, control measures, information and communication systems, and monitoring. A brief description of each follows below.

1 Control framework
The control framework provides the general framework for the risk management and control systems within USG People. It reflects the general attitude and awareness of the various

management layers with respect to (the importance of) internal management. It also contains the generic agreements upon which our internal control structure is based. Key elements of the control framework are:

- Management structure
- Code of conduct
- Corporate guidelines
- Business principles
- Management regulations
- Whistleblower regulations
- Human Resources policy
- Insider trading regulations

In addition to this, administrative activities in countries where USG People is present with several brands are handled by a shared service center. This structure enables segregation of technical control duties and internal control measures to be applied effectively and efficiently to the various processes.

2 Risk assessment

At USG People risk assessment is understood to mean the identification and analysis of risks that form a threat to achieving the organization's objectives. All managers conduct risk assessments as part of their job. USG People also uses risk workshops to allow senior managers to conduct risk analyses away from their day-to-day activities. This allows major risks to be identified and appropriate action to be determined; this action is then monitored as part of the existing planning and control cycle. The management of the Netherlands region held several risk workshops during 2007. In 2008 workshops will also be held in the Southwest Europe and Central Europe regions.

3 Control measures

The control measures are the guidelines and procedures used by (local) management to control the main processes and systems. Key aspects include:

- To minimise strategic cyclical risks, USG People uses geographical spread, focuses on market segments that are less sensitive to cyclical trends (such as the specialist segment), and spreads its activities across large (international) clients and clients in the SME segment;
- IT management is central to the continuity, reliability and integrity of the provision of information and its influence on the operating and financial processes. IT management comprises operating/tactical systems management, back-up and recovery systems, redundancy in networks and systems, ensuring the availability of alternatives and the installation of security systems (firewalls, intrusion detection, etc.);
- Measures on the financial side include:
  - Applying the USG People Accounting Manual, which contains detailed guidelines on how to arrange and structure financial reporting procedures in line with IFRS rules;
  - Careful monitoring of bank covenants by the central treasury department;
  - Having a credit insurance contract covering collection risks in most countries of operation;
  - Using derivatives to hedge most of the interest rate risk;
  - An annual check of the goodwill per cash-generating unit to determine whether goodwill booked is in line with the estimated figure;
- Various in-built process-wide control measures are in place to guarantee the internal control of USG People's critical processes and systems. These include detective, repressive and correctional measures, such as context checks and the division of control tasks. Another example is the use of approval matrices for the involvement of employees in processes and for systems usage.

4 Information and communication systems

The information and communication systems provide support in the recording and exchanging of information, enabling everyone to present their work properly. The following systems are instrumental in this:

- The central or integrated personnel, salary,

revenue and financial administration systems in all countries;
- A corporate consolidation system which is used to prepare the external reporting and is used by all operating companies;
- A single commercial information system for each country which gives an overview of marketing activities;
- Training sessions and information meetings on legislation and regulations specific to each country/operating company.

5 Monitoring

The structure and functioning of the risk management and control systems are monitored regularly. These activities in turn reinforce the risk management and control system. Monitoring instruments include:

- The business planning and control procedure for financial and non-financial performances;
- The Letter of Representation (LOR), a declaration including statements on the correctness and completeness of the financial reporting as presented and the correct application of USG People's code of conduct. LORs are issued regularly by the financial directors of the operating companies;
- The Internal Audit system, which is aimed at evaluating the control system and as such provides extra guarantees regarding the quality of the internal control system;
- The audit committee, whose responsibilities include controlling and evaluating the financial reporting process and evaluating the internal risk management and control environment;
- Evaluation of the internal control measures, insofar as these are relevant to the audit of the annual accounts by the external auditor.

As the company's supervisors, the audit committee and the Supervisory Board are informed regularly on how well USG People is controlling its internal risk management and control systems.

Statement regarding the evaluation of the risk management and internal control systems

It is the opinion of the Executive Board of USG People that the risk management and control systems as set out above provide a reasonable level of certainty that no material inaccuracies are contained in the financial reporting for the current year. The Executive Board also considers that the risk management and control systems worked properly with respect to the financial reporting risks in the year under review and that there are no indications that they will not work properly during the current year.

During the year under review, systems were further enhanced / upgraded, for example with the formal launch of the Internal Audit department and the further strengthening of the Corporate Control team in terms of both quality and quantity.

The Executive Board is aware that risk management and control systems, however extensive they may be, are unable to provide absolute certainty that all material inaccuracies, losses, fraud and breaches of laws and regulations will be avoided entirely.

The policy of the Executive Board remains focussed on the ongoing monitoring and improvement of the internal risk management and control systems in order to make the processes as reliable and effective as possible.

In consideration of the above, it is our opinion that we comply with best practice provisions II.1.3 and II.1.4 of the Dutch Corporate Governance Code, taking into account the recommendations of the Corporate Governance Monitoring Committee regarding their application.

Corporate Governance

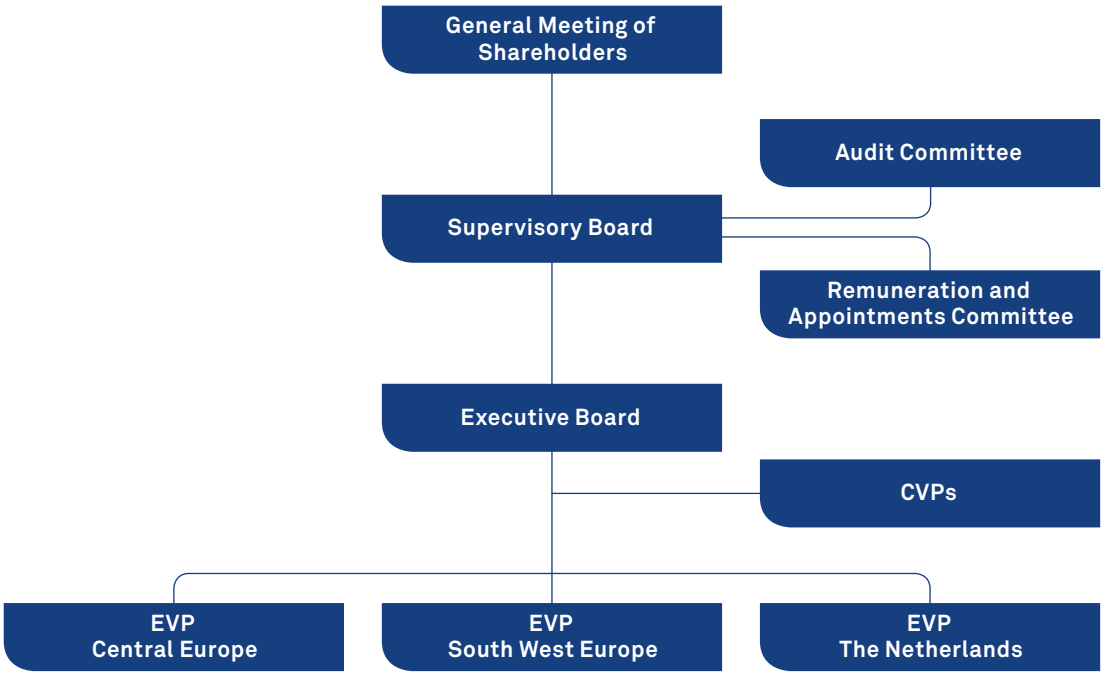
Introduction
USG People recognises that good corporate governance is essential to the successful conduct of business and meeting its commitments to all stakeholders. USG People aims for maximum openness and transparency in its decision-making processes, financial reporting and control systems. The purpose of this is to give stakeholders as clear as possible an insight into how the company conducts its business in accordance with the guidelines set out in the Dutch Corporate Governance Code, also known as the Tabaksblat code (hereinafter: the code). All the company's stakeholders – investors, clients, employees and other partners – insist on this transparency. Integrity and clear and timely communications are also crucial to gaining and retaining stakeholders' trust, and therefore to the success of USG People's business.

Any information which could affect the share price is made available simultaneously to shareholders and other financial market operators. On publication, such information is also made available on the USG People website. Quarterly results are backed up by explanatory webcasts for interested parties. Analyst meetings are accessible to shareholders and others via webcasts.

Divergence from the code
At the General Meetings of Shareholders of 2005 and 2006, the shareholders approved the code as applied by USG People, as well as a limited number of best practice provisions which are not applied by USG People. This means that USG People complies with the code.

USG People applies the entire code, with the exception of the following provisions:

- II.1.1: In divergence from the code, USG People wishes to reserve the right to appoint members of the Executive Board for a period longer than four years.
- II.2.3: Under this provision, shares allocated to board members without the stipulation of a certain financial performance in return must be retained for a period of at least five years. Under USG People's Unique Share Plan, at the



end of the USP term for the three-year period 2005-2007 shares which were allocated on a conditional basis during that term will be allocated unconditionally in 2008 and need no longer be retained. However, board members wishing to be eligible for the allocation of bonus shares at the end of 2010 will evidently have to retain the shares up to that date.

- II.2.7: In addition to the prescribed maximum payment equivalent to one year's salary in the event of involuntary dismissal of a board member, USG People considers it desirable to reserve the right to also make a payment equivalent to the six-month notice period. In the event of dismissal during the first term of office whereby payment of one year's salary is clearly unreasonable, the person concerned shall be entitled to a severance payment amounting to no more than twice the annual salary, in accordance with article II 2.7. of the code.
- II.2.6 and III.7.3: As of 1 January 2006 USG People introduced a regulation under which Supervisory Board and Executive Board members are obliged to provide advance notification of any transaction involving securities of direct competitors (the so-called Peer Group). The General Meeting of Shareholders approved the new regulation on 9 May 2006. This means that – contrary to the provisions of the code – board members are no longer obliged to report changes in their holdings of Dutch stocks at least once every quarter, but that they are obliged to seek advance permission from the USG People compliance officer for any transaction involving Peer Group stocks.

Structure

USG People is a limited liability company listed on the stock exchange and is governed by the large company regime. The large company regime provides a legal framework which partly determines the corporate management structure. This means that the duties and powers of the Executive Board, Supervisory Board and shareholders are governed by legal provisions. Members of the Supervisory Board have no executive role and are not involved in the day-to-day management of the business; these responsibilities lie with the members of the Executive Board. Each management body has its own responsibilities and is dedicated to pursuing the general interests of USG People, and takes the interests of all parties – including shareholders and employees – into account in its considerations and decision-making. In addition to these legal provisions, regulations are used to describe in greater detail relations among the various parties, as well as their duties and powers. USG People also has a whistleblower regulation and a code of conduct, both of which can be consulted on the company website.

General Meeting of Shareholders

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

The annual General Meeting of Shareholders deals with the following issues – if applicable – related to corporate governance: (re) appointment or dismissal of members of the Supervisory Board, discharge of the members of the Executive Board and the Supervisory Board, remuneration policy for the Executive Board and Supervisory Board, a decision on the dividend and the (re)appointment of the external auditor. The annual General Meeting of Shareholders was last held on 26 April 2007.

Extraordinary General Meetings of Shareholders may be summoned at any time by the Supervisory Board or the Executive Board. No Extraordinary General Meeting of Shareholders was called during 2007.

REPORT OF THE EXECUTIVE BOARD

The Dutch Electronic Means of Communication Act came into force on 1 January 2007. Although this legislation has made the use of electronic communication for voting procedures easier, USG People considers that the existing providers of systems that enable electronic voting do not offer sufficent benefits. Naturally USG People will keep a close eye on the developments in the field of electronic voting and will regularly reconsider its position on the matter.

Supervisory Board
The task of the Supervisory Board is to supervise policy and the general state of affairs within the company. The Supervisory Board advises the Executive Board on these topics, both on request and on its own initiative. The Supervisory Board regularly discusses and assesses USG People's corporate 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 associated with the company's activities, the structure and operation of risk management and control systems, acquisitions and divestments, compliance with regulations and legislation, capital structure and the financial position of the company.

In 2007 the Supervisory Board had five members: Cor Brakel (chairman), Christian Dumolin, Joost van Heijningen Nanninga, Marike van Lier Lels and Alex Mulder. Up until 9 May 2006 Alex Mulder was chairman of the Executive Board, which means that the Supervisory Board as a whole cannot be considered to be independent. The remaining members are independent in the sense of best practice provision III.2.2. of the code.

Members of the Supervisory Board are nominated by the Supervisory Board and appointed by the General Meeting of Shareholders. The Supervisory Board informs the Central Works Council of its nominations and underlying motivation. The General Meeting of Shareholders also has the power to nominate people for membership of the Supervisory Board.

The Supervisory Board has two internal committees: the audit committee and the remuneration and appointments committee. The table below shows how the internal committees are composed.

Both committees are subject to their own internal regulations and report regularly to the Supervisory Board. For a detailed description of the activities of these committees during 2007, please refer to the reports of the committees elsewhere in this annual report.

Executive Board
The task of the Executive Board as a whole is to manage USG People. That means that the Executive Board is responsible for setting and realising targets, determining strategy and achieving the results set out annually in the budget. The Executive Board is supervised in its activities by the Supervisory Board. In addition to the tasks set out above, the Executive Board is responsible for the quality and completeness of the financial reports as published by the company, for the risk management and control

Name	Audit Committee	Remuneration and Appointments Committee
C.J. Brakel	Chairman	Member
C.Y.I.E. Dumolin	Member	Chairman
J.H. van Heijningen Nanninga	Member	
M.E. van Lier Lels		
A.D. Mulder		

systems, for compliance with legislation and regulations, and for the financing of the company.

Executive Board members are appointed by the Supervisory Board. The Supervisory Board informs the General Meeting of Shareholders of any planned appointment of an Executive Board member. In 2007 the Executive Board comprised Ron Icke (CEO) and Rob Zandbergen (CFO). There were no changes in its composition during the year.

Securities transactions
Members of the Supervisory Board and the Executive Board are subject to the so-called 'Model code'. This regulation sets out how transactions involving securities of USG People should be conducted, and prohibits trading during 'closed periods'. Model code compliance checks are the responsibility of the USG People compliance officer.

In addition to the Model code, members of the Supervisory Board and Executive Board are subject to the Tracking Compliance Program, which sets out the procedure that regulates transactions involving the securities of direct competitors, the so-called Peer Group. Transactions involving securities of companies outside the Peer Group do not require permission, nor is there a regular reporting requirement for these.

Conflicts of interest
In accordance with the corporate governance code, all transactions involving a conflict of interest for Executive Board or Supervisory Board members are subject to agreement under the conditions which are customary for the sector. This provision aimed at avoiding conflicts of interest is also included in the Executive Board and Supervisory Board regulations. If such transactions occur, they are published in the annual report. During the 2007 financial year no transactions took place which could be qualified as representing a conflict of interest.

Risk management and control systems
For a detailed description of the internal risk management and control systems, please refer to the Risk section.

Protective measures
USG People has no protective measures in place. The company only has ordinary shares, which are listed on the Euronext Amsterdam exchange.

Internal organization

Business principles
USG People strongly believes that its multi-brand approach and the entrepreneurship of its brands and branches enable it to meet the needs of specific target groups. For sustainable success, this powerful diversity needs to be balanced by a sense of unity. In 2007 the USG People business principles were set out in a publication (Business Principles) and implemented in all the countries where we are active. Our core values are: respect, learning, passion, involvement and commitment to results.

Respect is the cornerstone of our business. It is a precondition for creating the mutual trust required to engage with our stakeholders and achieve our mission. Qualities we value therefore include the ability to recognise, appreciate and welcome diversity, the ability to listen to, empathise with and understand different viewpoints and to honour freedom of opinion. Respect translates into an honest, reliable and supportive attitude to one another.

Learning is the key to both our continuity and sustainable success in an increasingly complex and competitive market. Qualities we value therefore include the ambition to develop skills, curiosity about and receptiveness to new ideas, and an ability to learn from mistakes. We aim to create a culture of mutual learning, sharing and coaching – a culture of dialogue, experimentation and continuous improvement.

Passion for our work is the vital element that makes the difference. Passion involves more than just interest and enthusiasm – it is also the desire to achieve stated goals. Qualities we value therefore include the ability to motivate and convince, a readiness to embrace challenges and the ability to overcome setbacks. Being passionate, in other words, means having an unremitting commitment to living our core values and realising our ambitions. If we are passionate about meeting the needs of our clients, looking after our flex workers and helping each other to succeed, it will bring both pleasure and pride to our everyday work.

Involvement is at the root of our commitment to our stakeholders. It inspires our loyalty to colleagues and clients, and underpins our dedication to the business we undertake. Qualities we value therefore include the ability to create a sense of community and connectedness, to want to assist others, to walk the talk and to work in a team. Involvement fosters the closeness and mutual respect that are prerequisites to top team performance.

Commitment to results is a prime driver of success. Above all, it means living our business principles on a daily basis, combined with uncompromising professionalism and entrepreneurship. Qualities we value therefore include dedication and focus, and we strive to create a healthy competitive climate built on proactive behaviour, flexibility and the desire to win. A results-driven attitude will ensure we achieve the levels of profit, growth, client satisfaction and innovation that we aspire to.

In addition to the core values, the publication sets out the responsibilities of our organization and our stakeholders towards each other, and includes a section on living the business principles. To help our employees put the business principles into practice, it gives advice on dealing with five dilemmas which can occur:

- The conflict between mine and thine, which may lead to the improper use of company property;
- Knowledge is power, which may lead to misuse of information;
- Reciprocity, or the urge to return a favour, which can lead to corruption;
- Natural attraction, which may lead to unwanted intimacy or even harassment;
- Putting success before all else, which may lead to intimidation.

HR policy
Our success as an organization is mainly determined by the dedication, creativity, involvement and entrepreneurial spirit of our employees. That is why the cornerstone of our HR policy is the ambition to develop employees' talents, both in their current jobs and in their future careers. We firmly believe that this is the way to create the right conditions for people to make a long-term commitment to the organization.

We offer talented employees opportunities to grow within the organization by:
- Getting the maximum out of our people;
- Embedding knowledge and culture within the organization;
- Developing 'own talent' to fill key positions.

Lifelong learning
We consider it our duty as an organization to give our employees the best of ourselves and so stimulate them to get the best out of themselves. For example, new employees start off with a short introduction course which not only gives an overall idea of who we are, but also provides a platform for getting to know one another throughout the organization and so make it easier to exchange best practices later on. USG People also offers its employees an extensive package of training courses based on the blended learning method. This is a combination of classroom instruction, on-the-job learning and e-learning and includes e-campus, USG People's electronic learning environment. Following a successful pilot period, the e-campus was implemented at all our Dutch operating companies in 2007.

Management development
One of the pillars of our HR policy is the development of own talent to fill key positions. Our extensive management development programme is central to this. Forty-two Dutch managers took part in the programme during 2007.
In 2006 the programme was expanded with a Strategic Course for USG People's senior managers in the Netherlands; this was rolled out to senior management in the other countries in 2007. In total, 156 managers from all over Europe followed one or more Strategic Course modules during 2007.

High-potential staff
Today's employee is tomorrow's manager, which is why we make sure that we always have a clear and accurate picture of people with high potential within the organization. These are employees who stand out because of their quick development, creativity and pro-activity, and who have leadership potential as well as the ambition to take responsibility for a team or part of the business in the future. We back high-potential staff with personal and professional support and appropriate rewards. Many USG People managers grew into their current position in this way. Three out of every four key positions at USG People are held by people from our own ranks.

Employee participation
The USG People Central Works Council met 15 times in 2007, of which six times with the executive board and once with a delegation from the Supervisory Board. The agenda included the brand strategy, a new structure for employee participation, the reorganization of the back office operations, facilities regulation, a request for advice on ASA Student and a request for advice regarding own risk in relation to the WGA return-to-work scheme.

IT
USG People operates a multibrand strategy whereby relatively autonomous operating companies are positioned as close as possible to the client in order to provide the best possible service. To support this strategy, USG People uses decentralised and specific applications so that clients can be targeted as effectively and efficiently as possible. These local applications are specially developed to take into account the differences between countries and brands. Differences in legisla-

tion and social systems for example mean that it is not feasible to use the same standardised applications for all countries. This is why our applications have a flexible and modular structure, which allows us to adapt swiftly to changes in the market and rapidly take advantage of opportunities. There are strict quality requirements for the functioning of these applications. To maximise efficiency, modular development is used wherever possible and the company encourages the use of application components elsewhere within in the organization.

Our IT strategy is aimed at:

- Providing maximum support to our business activities;
- Rapid processing of any changes to services and products (and, for example, legislation) thanks to modular and standardised applications architecture;
- Applying new technologies and developments;
- Adapting IT applications as swiftly as possible to suit the requirements of the organization and, increasingly, our clients;
- Providing high availability to ensure maximum speed and continuity of processes;
- Guaranteeing the safety of data and information;
- Making business applications more widely available;
- Ensuring maximum web-enablement of new applications.

A decentralised approach is very demanding in terms of IT management and is being adopted with care. IT policy, preconditions and technical infrastructure are matters which are determined and often also controlled at corporate level. On-site availability and performance of the applications is largely determined by the quality and performance of the infrastructure. In order to achieve economies of scale and at the same time preserve country-specific characteristics, USG People has organised each country's IT activities into a shared service center.

Outlook

In 2007 growth slowed in nearly all European markets where USG People is active. This development was mainly due to slowing economic growth and the turmoil on the financial markets. This led to a decline in both investment levels and the take-up of temporary employment services, particularly by large corporates. The early-cyclical general staffing segment is characterised by how quickly and effectively large corporates respond to altered economic circumstances that may result in changes in demand for their products and services.

On the other hand, demand for our services in the late-cyclical, mainly specialist staffing segment still remains strong. Similarly, the (also late-cyclical) SME segment is also still experiencing strong demand for temporary, specialist and professional staff.

To maximise demand for our services and keep demand as steady as possible, USG People aims to achieve the best possible balance between general and specialist staffing services as well as ensure a healthy mix of clients from both the large corporate and SME segments.

USG People traditionally has a solid position in the SME segment as well as a strong presence in the specialist staffing segment. Moreover, a major part of our revenue is generated in our home markets of the Benelux, where a relatively high proportion of the services we supply are late-cyclical, specialist services. This means that USG People is better equipped to cope with cyclical changes than many of its competitors.

Our corporate strategy is aimed at further developing and strengthening our geographical spread. With the introduction of specialist brands such as Secretary Plus in Spain and the acquisition in early 2008 of Allgeier DL GmbH in Germany, USG People is taking the next step in the further expansion and geographical spread of its European activities.

It is evident that in the current environment uncertainty surrounding short-term economic developments has greatly increased. And while our positive view of USG People's prospects for the medium term remains unchanged, under the current uncertain circumstances we refrain from giving a specific income forecast for 2008.

Almere, 6 March 2008

Executive Board

Ron Icke, *CEO*
Rob Zandbergen, *CFO*

REPORT OF THE EXECUTIVE BOARD

Supervisory Board and Executive Management

Supervisory Board

Cor Brakel
Cor Brakel (1937) has been chairman of the USG People N.V. Supervisory Board since 1998. He was chairman of the Executive Board of Wolters Kluwer N.V. until the end of 1999, prior to which he held positions with companies including Shell and Elsevier. An economist by profession, Mr. Brakel sits on the supervisory boards of various companies including Aalberts Industries N.V. His term of office ends in 2010. Brakel holds Dutch nationality.

Christian Dumolin
Christian Dumolin (1945) was an independent member of the Supervisory Board of Solvus N.V. from 1998 up until the acquisition of Solvus by USG People N.V. in 2005.
Mr. Dumolin is chairman and CEO of Koramic Investment Group. He also holds a number of supervisory and advisory positions, including those of deputy chairman of the supervisory board of Wienerberger AG, member of the supervisory board of the Belgian Banking, Finance and Insurance Commission (CBFA), member of the General Council of Vlerick Leuven Gent Management School, member of the management committee of the Federation of Enterprises in Belgium (VBO), member of the Board of the Flemish young enterprise organization VLAJO and member of the Board of Trustees of the Corporate Governance Institute. He also holds directorships with various companies including Clear2Play, De Steeg Investments, E&L Real Estate, Vitalo Industries and Spector, and is honorary governor of the National Bank of Belgium. His term of office ends in 2008. Dumolin holds Belgian nationality.

Joost van Heijningen Nanninga
Joost van Heijningen Nanninga (1946) joined the USG People N.V. Supervisory Board in 2001. He is a partner in Egon Zehnder International and hence has broad expertise in the field of personnel and organization. Mr. van Heijningen Nanninga sits on the supervisory boards of various companies including Krauthammer (Brussels). He is also an active member of several foundations and associations, including the United World College Foundation and the Rembrandt Association. His term of office ends in 2009. Van Heijningen Nanninga holds Dutch nationality.

Marike van Lier Lels
Marike van Lier Lels (1959) joined the USG People N.V. 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 management positions with Royal Nedlloyd, Van Gend & Loos, Deutsche Post Euro Express and Schiphol Group. Ms. van Lier Lels is a member of the supervisory boards of various companies including KPN, Connexxion, TKH Group, Maersk Netherlands and Slavenburg Holdings. She is also a member of the Audit Committee of the Netherlands Court of Audit, a member of the Advisory Council for Transport, Public Works and Water Management, a member of the Dutch Advisory Council for Science and Technology Policy (AWT) and a member of the Central Planning Committee of the Dutch Central Planning Bureau. Her term of office ends in 2008. Van Lier Lels holds Dutch nationality.

Alex Mulder
Alex Mulder (1946) founded Unique Uitzendbureau in 1972, which by consequence makes him a founder of USG People N.V., of which he was chairman and CEO up to 2005. At the General Meeting of Shareholders in 2006 Mr. Mulder was appointed to the USG People N.V. Supervisory Board. Mulder also holds various management positions and directorships, including those of delegated director of Hovu Beheer N.V. and Bellenhof N.V., director of Amerborgh B.V., chairman of Stichting AM Foundation and a director of Amsterdam Art Metropole N.V. His term of office ends in 2010. Mulder holds Dutch nationality.

Executive Board

Ron Icke, CEO
Ron Icke (1957) has been CEO of USG People N.V. since November 2005. His job also involves being chairman of the Board of Management and the Executive Committee. Mr. Icke joined the temporary employment sector in 1991 when he became director of Goudsmit. When Goudsmit merged with Unique International in 1997, he was appointed CFO of the new merged company Unique International N.V., later to become USG People N.V. He is also a member of the supervisory board of Gropeco and a director of the Heijmans Preference Shares Trust.
Icke qualified as a registered accountant in 1986 from the NIVRA (Royal Netherlands Institute of Registered Accountants) in Amsterdam. He started his career with PricewaterhouseCoopers, where where he worked for 14 years as an accountant with responsibility for general auditing practices and acquisition-related audits. Ron Icke holds Dutch nationality.

Rob Zandbergen, CFO
Rob Zandbergen (1958) has been active in the temporary employment sector since early 2003, starting off as CFO of Solvus N.V., the publicly listed company acquired by USG People N.V. in 2005. Following this takeover he was appointed CFO of USG People. He is also a director of StiPP, the Dutch pension fund for the staffing sector. Mr. Zandbergen graduated from the Royal Netherlands Military Academy in Breda, where he specialised in administration and economics, after which he studied business economics at the University of Amsterdam.
He started his career with the Dutch Ministry of Defence, where he held several financial management positions in internal control, controlling and purchasing. In 1990 started as corporate controller with KPN's international division and later in various national and international financial executive positions. He was subsequently appointed CFO of the publicly listed Dutch company SNT Group N.V. Rob Zandbergen holds Dutch nationality.

Board of Management

Hans Coffeng, EVP for Central Europe
Hans Coffeng (1967) first came to Unique Nederland as an intern in 1993 while studying sociology at Groningen University. His first job was as an intermediary. After holding various positions, he was appointed general manager of Unique Nederland in 1999. In 2001 Mr. Coffeng became director of the United Office Services division and in January 2003 was appointed Executive Vice President for the Netherlands region and member of the Board of Management. As Executive Vice President for Central Europe, Coffeng has been responsible for all activities in Germany, Austria, Switzerland, Poland, Italy, the Czech Republic and Slovakia since October 2006. In addition to his work at USG People N.V., Coffeng sits on the supervisory board of the Nijestee housing corporation in Groningen. Hans Coffeng holds Dutch nationality.

Eric de Jong, EVP for South West Europe
Eric de Jong (1963) studied International Business Economics at the Professional Agricultural University and obtained his MBA in the UK. In 1986 he started his career as an intermediary with Start Uitzendbureau B.V. After holding various management and executive positions, he was appointed general manager in 2002. He has been a member of the Board of Management of USG People N.V. since 1 October 2007. As Executive Vice President for South West Europe he is responsible for all activities in Belgium, Spain, France and Luxemburg. Eric de Jong holds Dutch nationality.

Executive Committee

Albert Klene, EVP for the Netherlands
Albert Klene (1961) graduated in economics from the University of Amsterdam in 1987, after which he joined Royal TPG Post. He held a wide variety of management positions with the company, lastly that of European Mail Networks Operations Director. In 2005 he moved to Solvus N.V., where he was Executive Vice President. Mr. Klene has been a member of the Board of Management of USG People N.V. since 2006. As Executive Vice President he is responsible for all activities in the Netherlands. Albert Klene holds Dutch nationality.

Evamaria de Boer, CVP for Human Resources
Evamaria de Boer (1957) worked as a 'temp' with Unique Uitzendbureau in 1980 while studying for her degree in Labour Market Politics and Personnel Policy. In 1982 she joined Unique as an intermediary, becoming a personnel officer in 1984 and Personnel & Organization manager in 1987. In 1998, after five years as head of Personnel & Organization at Amsterdam's RAI Exhibition and Convention Centre, she returned to Unique Nederland as a member of the management team. In 2001 Ms. de Boer was appointed Corporate Director of Human Resources. Two years later she also assumed joint responsibility for managing United Services Netherlands, the shared service center for the Netherlands. In 2005 she was appointed Corporate Vice President for Human Resources and member of the Executive Committee.
Evamaria de Boer holds Austrian nationality.

SUPERVISORY BOARD AND EXECUTIVE MANAGEMENT

Albert Jan Jongsma, CVP for Legal & M&A
Albert Jan Jongsma (1968) joined USG People N.V. in 1995. After obtaining a degree in Law, he took various training courses, including an MBA. Following a career ranging from corporate lawyer to Corporate Director for Legal & Acquisitions at USG People N.V., he was appointed Corporate Vice President for Legal & M&A and member of the Executive Committee in September 2006. Albert Jan Jongsma holds Dutch nationality.

Leo W. Houwen, CVP for Corporate Affairs
Leo Houwen (1949) joined Interlance Uitzendburo as district manager in 1975 after various commercial jobs. After first working as commercial director of Interlance, he was appointed general manager in 1980. The company was later taken over by Vedior Holding. In 1989 he swapped his position as general manager of Vedior Uitzendbureau for Unique Uitzendburo, where he became a member of the Executive Committee in 1992. In 1994 Mr. Houwen joined the executive committee of the Dutch association of temporary employment agencies ABU, where he is currently vice-chairman. He is also a board member of the Euro CIETT, the international umbrella organization that represents the temporary employment sector at European level. As Corporate Vice President, Houwen is responsible for corporate affairs and is a member of the Executive Committee. Leo Houwen holds Dutch nationality.

CONTENT

CONSOLIDATED INCOME STATEMENT

Note	Amounts in thousands of euros	2007	2006
5	Net revenue	3,887,681	3,536,836
7	Cost of sales	2,919,853	2,690,045
	Gross profit	**967,828**	**846,791**
8	Selling expenses	-612,749	-574,513
8	General and administrative expenses	-112,029	-97,296
9	Other income and expenses	809	19,224
	Operating income	**243,859**	**194,206**
10	Financial expenses	-36,024	-36,338
11	Financial income	3,000	4,323
	Income before taxes	**210,835**	**162,191**
12	Income tax expenses	-70,322	-50,909
	Net income	**140,513**	**111,282**
	Attributable to:		
	Equity of the company	140,011	110,853
	Minority interests	502	429
		140,513	**111,282**
	Earnings per share attributable to the equity holders of the company		
	(in euros, per share of € 0.50 nominal)		
22	Basic	€ 2.21	€ 1.76
22	Diluted	€ 2.04	€ 1.63

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

Note	*Amounts in thousands of euros*	2007	2006
	Non-current assets		
13	Property, plant and equipment	66,680	55,777
14	Goodwill	861,375	801,168
15	Other intangible assets	105,797	123,285
17	Financial fixed assets	7,049	6,811
18	Deferred income tax assets	41,065	68,877
24	Other non-current assets	4,992	10,564
		1,086,958	**1,066,482**
	Current assets		
19	Trade and other receivables	800,353	769,879
	Current income tax receivables	17,002	23,567
28	Derivative financial instruments	–	238
20	Cash and cash equivalents	55,136	39,616
		872,491	**833,300**
	Total assets	**1,959,449**	**1,899,782**
21	Capital and reserves attributable to equity holders		
	Share capital	321,095	320,580
	Other reserves	15,881	16,973
	Retained earnings	347,708	236,867
		684,684	**574,420**
	Minority interests	1,028	1,129
	Total equity	**685,712**	**575,549**
	Non-current liabilities		
23	Borrowings	460,499	431,097
24	Retirement benefit obligations	1,513	1,122
25	Other provisions	7,496	9,715
18	Deferred income tax liabilities	38,768	46,270
		508,276	**488,204**
	Current liabilities		
26	Borrowings	164,060	219,642
27	Trade and other payables	555,633	570,090
	Current income tax liabilities	33,808	29,540
28	Derivative financial instruments	2,415	266
25	Other provisions	9,545	16,491
		765,461	**836,029**
	Total liabilities	**1,273,737**	**1,324,233**
	Total equity plus liabilities	**1,959,449**	**1,899,782**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Note		Attributable to equity holders of the company				
		Share capital	Other reserves	Retained earnings	Minority interests	Total equity
	Balance at 1 January 2006	319,751	13,842	138,616	2,264	474,473
	Net income for 2006	–	–	110,853	429	111,282
	Income tax on direct changes in equity	–	874	–	–	874
	Currency translation differences	–	-21	–	–	-21
	Total income for 2006	**–**	**853**	**110,853**	**429**	**112,135**
21.2	Share plan	–	2,278	–	–	2,278
21.2	Exercised option rights	829	–	–	–	829
	Acquisition of minority interests	–	–	–	-1,564	-1,564
22.3	Dividend relating to 2005	–	–	-12,602	–	-12,602
		829	**2,278**	**-12,602**	**-1,564**	**-11,059**
	Balance as at 31 December 2006	**320,580**	**16,973**	**236,867**	**1,129**	**575,549**
	Balance as at 1 January 2007	320,580	16,973	236,867	1,129	575,549
	Net income for 2007	–	–	140,011	502	140,513
	Currency translation differences	–	-81	–	–	-81
	Total income for 2007	**–**	**-81**	**140,011**	**502**	**140,432**
21.2	Share plan	–	3,815	–	–	3,815
21.2	Exercised option rights	514	–	–	–	514
21	Share repurchase	–	-4,826	–	–	-4,826
	Acquisition of minority interests	–	–	–	-473	-473
22.3	Dividend relating to 2006	–	–	-29,170	–	-29,170
	Dividends paid to minority interest holders	–	–	–	-130	-130
23.2	Conversion of convertible bonds	1	–	–	–	1
		515	**-1,011**	**-29,170**	**-603**	**-30,269**
	Balance as at 31 December 2007	**321,095**	**15,881**	**347,708**	**1,028**	**685,712**

CONSOLIDATED CASH FLOW STATEMENT

Note		2007	2006
	Cash flow from operating activities		
	Income before taxes	210,835	162,191
	Adjusted for:		
8	Depreciation and impairment of tangible and intangible assets	43,490	57,247
13, 15	Result on disposals of tangible and intangible assets	206	1,383
6	Result on disposals of subsidiaries	-247	-19,081
10	Financial expenses	36,024	36,338
11	Financial income	-3,000	-4,323
	Amortisation of capitalised borrowing costs	-3,930	-3,904
21.2	Share plan expenses processed via capital and reserves attributable to equity holders	3,815	2,278
	Currency translation differences	-110	–
24, 25	Change in pension-related liabilities and other provisions	-8,796	-10,800
24	Change in other non-current assets	5,572	1,008
	Changes in working capital:		
	– trade and other receivables	-25,646	-100,544
	– trade and other payables	-18,594	54,979
	Cash flow from operating activities	**239,619**	**176,772**
	Income tax paid	-38,230	-19,428
	Net cash flow from operating activities	**201,389**	**157,344**
	Cash flow from investment activities		
6	Acquisition of subsidiaries	-56,584	-31,779
13	Investment in property, plant and equipment	-31,326	-21,728
15	Investment in intangible assets	-12,043	-11,305
13	Disposal of property, plant and equipment	1,120	1,517
15	Disposal of intangible assets	86	624
6	Proceeds from disposal of subsidiaries	3,125	15,273
17	Proceeds from borrowings and guarantee deposits	21	618
	Net cash flow from investment activities	**-95,601**	**-46,780**
	Cash flow from financing activities		
21	Proceeds from issuance of shares	514	829
21	Buy-back of shares	-4,826	–
28	Proceeds from derivatives	4,830	–
23	Proceeds from borrowings	44,314	22,100
23	Repayments of borrowings	-58,864	-113,778
	Interest paid	-34,513	-35,838
	Interest received	3,000	4,323
22	Dividends paid	-29,170	-12,602
	Dividends paid to minority interest holders	-130	–
	Net cash flow from financing activities	**-74,845**	**-134,966**
	Increase / Decrease in cash and cash equivalents	**30,943**	**-24,402**
	Change in cash and cash equivalents		
	Cash and cash equivalents as at 1 January	12,589	36,991
	Increase / Decrease in cash and cash equivalents	30,943	-24,402
20	Cash and cash equivalents as at 31 December	**43,532**	**12,589**

Notes to the consolidated financial statements

1 GENERAL

USG People N.V. has its registered office in Almere, the Netherlands. USG People provides all types of flexible employment and a range of other services in the area of human resources, education & training and customer care.
The group operates in 13 countries.
The consolidated IFRS financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as 'the group'). An overview of the main subsidiaries can be found in section 32.
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 NYSE Euronext Amsterdam stock exchange.
The financial statements were prepared and approved for publication by the Executive Board on 6 March 2008. The annual report and financial statements for 2007 were discussed at the meeting of the Supervisory Board on 6 March 2008 and will be submitted to the General Meeting of Shareholders on 29 April 2008 for adoption.
In the preparation of the financial statements of USG People N.V. the exemption contained in art. 402 Book 2 of the Dutch Civil Code was applied with respect to the corporate income statement.

2 FUNDAMENTAL PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

2.1 PRINCIPLES OF PREPARATION AND VALUATION

The consolidated financial statements for 2007 have been prepared in accordance with 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.

Preparing the financial statements in accordance with IFRS means that management is required to make assessments, estimates and assumptions that influence the application of regulations and the amounts reported for assets, equity, liabilities, commitments, income and expenses. The estimates made and the related assumptions are based on historical experience and various other factors which are considered to be reasonable under the given circumstances. Financial assets and financial liabilities (including derivative instruments) are initially recognised at fair value. Subsequent valuations of receivables and liabilities are based on amortised cost. Subsequent valuations of derivatives are based on fair value. The estimates and assumptions serve as the basis for assessing the value of recognised assets and liabilities whose amounts cannot currently be determined from other sources. However, actual results may differ from the estimates.
Estimates and underlying assumptions are subject to constant assessment. Changes in estimates and assumptions are recognised either in the period in which the estimates are revised (if the revision relates exclusively to the period in question), or in the period of revision and in future periods (if the revision affects both the current and future periods).
Assessments made by management under IFRS that have a significant impact on the financial statements and estimates that carry the risk of a possible material inaccuracy in the following year are stated in note 4.
The principles of valuation and determination of results have been applied consistently by the group companies during the periods presented in these consolidated financial statements. The only change compared to 2006 concerns the classification of the subordinated convertible bond. For more details, please refer to 23.2.

Standards, amendments and interpretations effective from 2007
IFRS 7 "Financial instruments: Disclosures" and the complementary amendment of IAS 1 "Presentation of financial statements – capital

disclosures" concern additional explanatory notes required on financial instruments and have no consequences for the classification and valuation of the group's financial instruments, nor for the notes concerning taxes and trade and other payables.
IFRIC 8 "Scope of IFRS 2" determines whether IFRS 2 applies to considerations in return in transactions whereby equity instruments are issued and whereby the consideration received in return is demonstrably less than the fair value of the issued equity. This interpretation has no consequences for the group's financial statements.
IFRIC 10 "Interim financial reporting and impairment" prohibits the reversal of impairment losses recognised in previous interim reports concerning goodwill and investments in capital instruments and in financial assets valued at cost at a later balance sheet date. This interpretation has no consequences for the group's financial statements for this year.

New standards, amendments and interpretations applied to the financial statements prior to becoming mandatory
No standards and interpretations have been applied to the financial statements prior to becoming mandatory.

Standards, amendments and interpretations effective from 2007 but not applicable to the group
The following standards, amendments and interpretations effective from 2007 are not applicable to the group due to the nature of its activities.
IFRIC 7 "Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies)".
IFRIC 9 "Reassessment of Embedded Derivatives".
IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions". IFRIC 11 provides further guidance on recognising share-based transactions in the separate financial statements of the parent company and the group companies. As all share-based transactions apply exclusively to the group's parent company, IFRIC 11 has no consequences for the group's consolidated financial statements.

Standards, amendments and interpretations not yet effective and not yet implemented by the group
The following standards, amendments and interpretations will be mandatory from 2008 or later and have not yet been implemented by the group.
IAS 1 (amendment) "Presentation of financial statements". This amendment to the standard, which has yet to be endorsed by the European Union, will be mandatory from 1 January 2009. The amendment relates to the reporting of changes in equity. The change will not affect the amount of either result or equity.
IAS 23 (amendment) "Borrowing costs". This amendment to the standard, which has yet to be endorsed by the European Union, will be mandatory from 1 January 2009. Under the amendment, borrowing costs that can be related to specific assets must be reported as part of these assets. It will no longer be possible to book the borrowing costs directly as expenses. This amendment does not apply to the group at present.
IFRS 8 "Operating segments". IFRS 8 replaces IAS 14. The standard will be mandatory from 1 January 2009. Under the new standard, segment reportings in the financial statements must match reportings to the group's Executive Board (hereinafter: the Board). Although the consequences of implementing IFRS 8 are still being examined, it is not expected to lead to material changes to the explanatory notes to the group's financial statements. There will be no consequences for either result or equity.
IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (mandatory from 1 January 2008 but not yet endorsed by the European Union). IFRIC 14 provides guidance on how to determine the limit set in IAS 19 for the amount of the surplus that can be recognised

as an asset. It also clarifies how a pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008. The group's management is examining whether the implementation of this interpretation will have any consequences and, if so, what these will be.

Standards, amendments and interpretations not yet effective and not applicable to the group
IFRIC 12 "Service Concession Arrangements" (effective from 1 January 2008). IFRIC 12 covers the development, financing, operation and maintenance of infrastructure in the public sector.
IFRIC 13 "Customer Loyalty Programmes" (effective from 1 July 2008). As the group does not offer customer loyalty programmes, this interpretation is not relevant to the group.

2.2 CONSOLIDATION OF SUBSIDIARIES

Subsidiaries are all entities over which the group has direct or indirect control, either through possession of a majority of the voting rights or through any other means of controlling their financial and operating activities. Subsidiaries are fully consolidated from the date on which the group gains decision-making control and are deconsolidated from the date on which that control ends.
The purchase method applies to the acquisition of subsidiaries by the group. When a company is taken over, its acquisition price is based on the fair value of the assets ceded, the equity instruments issued and liabilities incurred or assumed at the transaction date, subsequent payment commitments which are expected to result in payment, as well as the expenses directly attributable to the acquisition. Identifiable assets, contingent liabilities and liabilities assumed in a business combination are initially stated in the financial statements at their fair value on the date of acquisition, irrespective of any minority interests. The positive difference between the acquisition price of the acquired entity and the fair value of assets and liabilities that are identifiable and attributable to the group is recognised as goodwill. In the event of the acquisition price being lower 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 2.5).

Transactions with minority shareholders are recognised as third-party transactions. In the event of purchases of interests held by minority shareholders, the difference between the amount paid and the acquired share of the net asset value (recognised as minority interests under shareholders' equity) is recognised as goodwill.

Intercompany transactions, balance sheet items and unrealised results on transactions between group companies are eliminated. Where necessary, the accounting policies of subsidiaries are brought into line with those applied by the group.

2.3 FOREIGN CURRENCY

2.3.1 GENERAL

Items in the financial statements of the various group companies are measured in the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in euros (€), this being the Company's functional and presentation currency.

2.3.2 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Transactions in foreign currency are translated into the functional currency at the exchange rate applicable at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate applicable at the balance sheet date. Currency translation differences are recognised in the income statement.

2.3.3 FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into the presentation currency at the exchange rate applicable at the balance sheet date. The income and expenses of foreign subsidiaries are translated into the presentation currency at rates approximate to the exchange rates applicable at the date of the transaction. Currency translation differences are added or charged directly to the currency translation reserve in group equity.

2.4 PROPERTY, PLANT AND EQUIPMENT

2.4.1 OWNED ASSETS

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

2.4.2 LEASED ASSETS

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 cumulative depreciation (see 2.4.3) and impairment (see 2.11). Lease payments are recognised in accordance with 2.20.1 and 2.20.2.

2.4.3 DEPRECIATION

Depreciation expenses are charged to the income statement using 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 according to category, as shown below:

Category	Years
Buildings	40
Furnishings and conversions	5-10
Computers and peripherals	3-5
Other fixed assets	5

The residual value, method of depreciation and depreciation period (component method) are reviewed annually at the balance sheet date and adjusted if necessary by amending the estimate for the financial year and subsequent periods.

2.5 GOODWILL

All acquisitions are recognised using the purchase method. Goodwill arises from the acquisition of subsidiaries. Goodwill is calculated as the difference between the acquisition price and the net fair value at acquisition date of the identifiable assets, liabilities and contingent liabilities acquired. For the purpose of impairment testing, goodwill is allocated to those cash-generating units expected to benefit from the acquisition.
Goodwill is not amortised but is subject to annual impairment testing (2.11). Impairment losses are irreversible.
Any negative goodwill resulting from acquisitions is recognised directly in the income statement. If an entity is divested, the carrying amount of its goodwill is recognised in income.

2.6 OTHER INTANGIBLE ASSETS

2.6.1 TRADEMARKS AND LICENCES

Trademarks and licences which are registered or protected by law and which are obtained through an acquisition are initially recognised at fair value, which is thereafter taken as cost. Trademarks and licences have a finite useful life and are carried at cost less amortisation and impairment. Amortisation costs are charged to the income statement using the straight-line method based on an estimated useful life of no more than 10 years for trademarks owned.

Licensed trademarks are charged to the income statement using the straight-line method, based on the duration of the licencing agreement.

2.6.2 CUSTOMER RELATIONSHIPS

Customer relationships arising from acquisitions are initially recognised at fair value which is thereafter taken as cost. Customer relationships have a finite useful life and are carried at cost price less amortisation and impairment. Amortisation costs on customer relationships are charged to the income statement using the straight-line method, based on an estimated useful life of no more than eight years.

2.6.3 CANDIDATE DATABASES

Candidate databases obtained through acquisitions are initially recognised at fair value which is thereafter taken as cost. Candidate databases have a finite useful life and are carried at cost price less amortisation and impairment. Amortisation costs on candidate databases are charged to the income statement using the straight-line method, based on an estimated useful life of no more than six years.

2.6.4 SOFTWARE

Software licences are capitalised on the basis of the costs incurred to acquire the software and make it ready for use. Software developed in-house is capitalised insofar as its cost price arises 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 technical, financial and other means are in place to complete and use the asset, and that it is possible to determine the expenses attributable to the asset developed. Amortisation costs are charged to the income statement using the straight-line method, based on an estimated useful life of 3 to 5 years.

2.6.5 OTHER INTANGIBLE ASSETS

Other intangible assets acquired by the group are carried at cost less cumulative amortisation and impairments (see 2.11). Amortisation costs are charged to the income statement using the straight-line method, based on an estimated useful life of 5 years

2.6.6 INTANGIBLE ASSETS

The intangible assets above are tested annually to check that their residual useful life and the amortisation methods used are still correct. If the outcome of the test results in a change to the estimate of the remaining useful life or amortisation methods, future amortisation is adjusted accordingly.

2.7 FINANCIAL FIXED ASSETS

2.7.1 LOANS AND RECEIVABLES

Loans and receivables are financial assets (not being derivative financial instruments) that are not quoted in an active market and have fixed or determinable repayment terms. These assets are recognised in accordance with 2.8. They are included under current assets, except if the maturity date is more than 12 months after the balance sheet date, in which case they are classified as non-current assets. Loans and receivables are recognised under ‘trade and other receivables’ on the balance sheet.

2.7.2 GUARANTEE DEPOSITS

Guarantee deposits (mainly lease guarantees and guarantees connected with the running of a temporary employment business) that do not have a fixed maturity date are recognised at cost. Guarantee deposits that do have a fixed maturity date are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

2.8 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value (often nominal value) and subsequently at amortised cost using the effective interest method less impairment for

bad debts. Reasons for creating a bad-debt provision include major financial problems on the part of the debtor, likelihood of bankruptcy or financial restructuring, or the passing of more than 180 days after the payment due date. Experience shows that if a receivable has not yet been collected more than 180 days after the agreed payment date, it is unlikely that it will be collected. The provision amount is the difference between the carrying amount of the receivable and the present value of expected future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced by the amount of the bad-debt provision and the associated expenses are included in selling expenses. If a trade receivable or other receivable is uncollectible, it is charged in full to the bad-debt reserve. Collection of any amounts previously written off goes towards reducing the amount of selling expenses in the income statement. Services supplied but not yet billed to the client are also recognised under trade receivables.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised in the financial statements at fair value on the date the contract is concluded and are subsequently recognised at fair value at each reporting date. Changes in the fair value of derivative financial instruments are recognised directly in the income statement. The group does not apply hedge accounting.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including cash in hand, bank balances and readily available deposits, are recognised at nominal value. Bank overdrafts are recognised as borrowings on the balance sheet under current liabilities.

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation but to annual impairment testing. Assets subject to amortisation are assessed annually as to whether they are subject to impairment. An impairment loss is the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. For the purpose of impairment testing on goodwill, individual assets are grouped at the lowest level within the group at which goodwill is monitored for internal management purposes. Non-financial assets other than goodwill that have been subject to impairment are assessed at each reporting date for possible reversal of the impairment charge.

2.11.1 CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of assets is the higher of their fair value less selling expenses and their value in use. In determining the value in use, the present value of estimated future cash flows is calculated using a pretax discount factor which reflects both the current market assessment of the time value of money and the specific risk connected with the asset. For assets that do not generate cash flows and are largely independent of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.12 SHARE CAPITAL

2.12.1 SHARE CAPITAL

Share capital is defined as equity attributable to shareholders. Costs directly connected to the issuance of new shares or option rights are deducted from the proceeds and recognised in equity.
If any entity belonging to the group buys back USG People N.V. shares, the amount paid, including any associated costs and taxes, is charged to equity attributable to shareholders until such a time as the shares are cancelled or reissued. The amount received or to be received on the issue of shares previously bought back, less any associated costs and taxes, is added to the equity attributable to shareholders.

2.12.2 DIVIDENDS

Dividends are recognised as a liability for the period in which they are payable.

2.13 SUBORDINATED CONVERTIBLE BOND

On initial recognition in the financial statements borrowings are recognised at fair value net of transaction costs, and subsequently at amortised cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement during the term of the loan using the effective interest method.
The fair value of that part of the convertible bond considered to be a liability is determined using the market interest rate on a comparable, non-convertible bond. The amortised cost is recognised as a liability up to the conversion date or to the end of the term of the bond. The remaining proceeds are attributable to the conversion option, which is recognised in equity net of taxes.
Borrowings are recognised as current liabilities unless the group has the unconditional right to postpone settlement of the liability until at least 12 months after the balance sheet date via an outflow of funds.

2.14 NON-CURRENT INTEREST-BEARING BORROWINGS AND LIABILITIES

Borrowings are initially recognised in the financial statements at fair value, net of transaction costs incurred, and subsequently recognised at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement during the term of the borrowing 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 the balance sheet date.

2.15 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. If an asset or liability arising from a transaction (other than a business combination) is initially recognised in the financial statements a deferral occurs which affects neither the accounting nor the taxable profit or loss, this deferral is not recognised. Deferred income tax is calculated using tax rates (and laws) that have been enacted or substantially decided at the balance sheet date and are expected to apply when the deferred income tax asset concerned is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised insofar as it is likely that future taxable profit will be available to offset the temporary differences and available tax losses.
Deferred income tax liabilities are recognised for temporary differences occurring on investments in subsidiaries and associates and which arise from a difference in group valuation rules and valuation for tax purposes, insofar as it is likely that the temporary difference will be settled in the foreseeable future and that taxable profit will be available to offset the temporary difference.
Deferred income tax assets and liabilities are offset if there is a legally enforceable obligation do to so and if the taxes are levied by the same authority.

2.16 PENSION-RELATED PROVISIONS

2.16.1 DEFINED CONTRIBUTION PENSION SCHEMES

A defined contribution scheme is a pension scheme whereby the group makes fixed contributions to another entity.
Liabilities regarding contributions to pension and pension-related schemes based on defined contributions are recognised as expenses in the income statement in the period to which

they pertain. The group has no other obligations other than the payment of premiums.

2.16.2 DEFINED BENEFIT PENSION SCHEMES

A defined benefit scheme is a pension scheme whereby the employee receives a fixed amount in pension benefits on retirement, usually dependent on factors such as age, years of service and remuneration.
The group's net liability in regard to allocated pension rights is calculated separately in each case, on the basis of the present value of the liability under the defined benefit pension scheme at balance sheet date, less the fair value of the plan assets.
The discount factor is the return at balance sheet date on solid corporate or government bonds with a maturity similar to the term of the group's liabilities. The calculations are performed by certified actuaries using the projected unit credit method.
When benefit payments under a pension scheme are increased, the amount of the increased payment that relates to the employee's years of service is charged to the income statement using the straight-line method over a period of five years, or a shorter period depending on when the pension entitlement was granted.
Insofar as entitlements are granted immediately, the charge is recognised directly in the income statement.
Actuarial gains and losses arising from changes in actuarial assumptions which are greater than 10% of the greater of the value of the plan assets or liabilities are added or charged to the result during the expected average remaining years of service of the employees concerned.
Unrecognised pension costs for years of service completed are recognised directly in the income statement, unless the changes in the pension scheme are conditional on employees remaining in service for a certain 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 plan or lower future premium payments.

2.17 OTHER PROVISIONS

2.17.1 GENERAL

A provision is recognised on the balance sheet where the group has a legally enforceable or actual commitment relating to an event in the past and where it is likely that settlement of that commitment will involve an outflow of funds. Where the effect of this is material, provisions are determined by calculating the present value of estimated future cash flows using a pretax discount factor which reflects the current market assessment of the time value of money and, if necessary, specific risks connected with the commitment.

2.17.2 RESTRUCTURING PROVISIONS

Provisions are made for restructuring if the group has finalised a detailed restructuring plan and the restructuring has been either started or announced publicly. The restructuring provision does not include costs relating to future activities.

2.17.3 OTHER PERSONNEL-RELATED PROVISIONS

The group takes provisions for future benefit payments to employees. These provisions take into account any future wage increases and staff turnover. The provisions include long-service awards, continuation of wage payment during extended periods of sickness and payments on termination of service.

2.17.4 EXIT-PAYMENT SCHEMES

The net liability of the group for deferred employee remuneration equals the amount of future payments due 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) equals the amount for future payments based on accrued years of service. The liability is calcu-

lated using the projected unit credit method. The discount factor is the return at balance sheet date on solid corporate or government bonds with a maturity similar to the term of the group's liabilities.

2.18 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

2.19 INCOME

2.19.1 NET REVENUE

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

- Temporary employment and secondment services: provision of temporary staff whereby hours worked at agreed rates during the financial reporting period are recognised as revenue;
- Call centre services: handling of telephone operations for third parties. The revenue consists of units (call units or conversations) relating to the reporting period and against an agreed rate;
- Recruitment and selection services: recruitment and selection of employees for third parties whereby revenue is booked once the commission has been completed as agreed;
- Reintegration services: supporting of reintegration services for third parties based on an hourly rate, for hours were worked during the reporting period;
- Fees for IT and engineering projects based on a set price are recognised as revenue based on the stage of completion of the contract during the reporting period;
- Outplacement: provision of coaching to jobseekers. Revenue is determined on the basis of the amount of time to be declared during the reporting period for each person being coached compared to the estimated total amount of time to be spent on each person being coached.

No revenue is recognised if there are major uncertainties as to whether the funds owing can be collected.

2.19.2 OTHER INCOME AND EXPENSES

Other income and expenses arise from activities other than regular business activities, such as the disposal of non-monetary assets or debts.

2.20 COSTS

2.20.1 OPERATING LEASES

Lease contracts whereby the risks and rewards associated with ownership lie wholly or primarily with the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement for the duration of the lease using the straight-line method.

2.20.2 FINANCIAL LEASES

Lease contracts whereby the risks and rewards associated with the ownership lie wholly or primarily with the lessee are classified as financial leases. The minimum lease payments are recognised partly as borrowing costs and partly as settlement of the outstanding liability. The financial expenses are charged to each period in the total lease period in such a way that this results in a constant, regular interest rate on the outstanding balance of the liability.

2.20.3 SHARE-BASED REMUNERATION

USG People N.V. granted option rights in the years up to and including 2004. These option rights can be exercised fully and unconditionally. Under IFRS 1 valuation of option plans that could be fully and unconditionally exercised before 1 January 2005 is not mandatory. Income resulting from the exercise of option rights is recognised at that time as share capital (at nominal value) and share premium, net of transaction costs.

Share-based remuneration other than that relating to the option plan set out above is recognised as follows.
The fair value of shares allocated conditionally under USG's share plan ('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 an expense in the income statement during the vesting period is determined on the basis of the fair value of the (conditionally) allocated shares and any tax commitments for the employees which are payable by the company. Non-market related performance conditions such as revenue growth, profitability and staff turnover are included in the estimate of the ultimate total number of shares to be allocated. The estimate of the ultimate total number of shares to be allocated is revised at balance sheet date. Any effect of this revision is recognised in the income statement.
The expenses are recognised on a time-weighted basis over the period to which the performances pertain. A reserve is maintained in equity for the fair value of the shares granted. The commitments relating to wage taxes and social security premiums for participants in the share plan are recognised in the financial statements under current liabilities.

2.20.4 FINANCIAL EXPENSES

Financial expenses comprise interest due on funds drawn, calculated using the effective interest method, downward adjustments to the fair value and realised value of derivative financial instruments and other interest paid.

2.20.5 FINANCIAL INCOME

Financial income comprises interest received on outstanding monies and upward adjustments to the fair value and realised value of derivative financial instruments.

2.21 TAXATION

Profit-based tax on the income for the financial year comprises taxes due for the period under review together with recoverable and deferred income tax. Profit-based tax is recognised in the income statement, except where it relates to items booked directly to equity. In the latter case, the associated tax is also booked to equity. Tax due and recoverable in the period under review comprises profit-based tax on the taxable income calculated on the basis of legally determined tax rates and adjustments to taxes for previous financial years.
Additional profit-based tax for dividend payments is recognised together with the obligation to pay the relevant dividend.

2.22 NET EARNINGS PER SHARE

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

2.23 PRINCIPLES FOR THE STATEMENT OF CASH FLOWS

The statement of cash flows is compiled using the indirect method. The statement of cash flows distinguishes between cash flows from operating, investment 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 is recognised as cash flows from operating activities. Interest paid and received is included under cash flow from financing activities. Cash flows arising from the acquisition or disposal of financial interests (subsidiaries and participating interests) are recognised as cash

flows from investment activities taking into account any cash and cash equivalents in these interests. Dividends paid out are recognised as cash flows from financing activities.
Cash and cash equivalents in the statement of cash flows equals cash and cash equivalents on the balance sheet minus bank overdrafts.

2.24 SEGMENT INFORMATION

2.24.1 GENERAL

Information is provided for each of the group's business and geographical segments. The breakdown of segments as set out in 2.24.2 is based on volumes, intensity of client contacts and types of activity, and takes account of the risk and return profiles of the various segments. Segment results and assets and liabilities comprise items directly attributable to the relevant segment, as well as items that can reasonably be attributed to that segment. Unallocated items mainly consist of deferred income tax and non-current interest-bearing borrowings, as well as joint assets and expenses. A segment's investments in property, plant and equipment and intangible assets equal the total costs incurred by that segment during the reporting period for the acquisition of assets which are expected to be utilised for longer than a single reporting period.

2.24.2 BUSINESS SEGMENTS

The group divides its activities into the following business segments:

- General Staffing: Provision of flexible solutions in the area of general temporary employment and secondment for both organizations and job seekers. Services are concentrated in the government, education, hotel and catering, construction, care, technical, industrial, and transport and logistics sectors.
- Specialist Staffing: Provision of specialised flexible solutions for positions in the administrative, financial, secretarial, call centre, technical and medical sectors.
- Professional: This segment focuses on recruiting highly skilled specialists for secondment in areas such as construction, civil and mechanical engineering, electrical engineering, chemicals and petrochemicals, telecommunications, IT, HR and legal. This segment also includes activities relating to customised HR solutions such as direct search, assessments, career coaching and other coaching, HR consultancy, outplacement and reintegration services.
- Customer Care: High-quality customer contact centres aimed at providing knowledge-intensive services in areas including sales, recruitment, information provision, complaints and e-mail processing.

In the Segmentation by activity chart (5), Customer Care is included in Other activities.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

Because of the nature of its activities, the group is exposed to various financial risks: market risks (including exchange rate risks, interest rate risks in determining fair values, cash flow interest rate risks and price risks), credit risks and liquidity risks. Group risk management focuses on the unpredictability of financial markets and seeks to minimise the potential negative effects of this on the group's financial performance. Where deemed necessary, the group uses financial instruments to hedge certain risks.

The treasury department identifies and assesses financial risks and hedges them subject to approval by the Board (CEO and CFO).

The group recognises the following categories of financial instruments:

2007	Loans and receivables	Assets recognised at fair value in the income statement	Fair value	Maximum credit risk
Financial fixed assets	7,049	–	3,944	10,171
Trade receivables	770,411	–	770,411	788,973
Other receivables, being financial instruments	14,398	–	14,398	14,398
Cash and cash equivalents	55,136	–	55,136	55,136
	846,994	**–**	**843,889**	**868,678**
Subordinated convertible bond	96,790	–	91,000	
Start subordinated loan	75,000	–	70,250	
Syndicated loan tranche A	296,858	–	270,942	
Financial lease commitments	1,788	–	1,772	
Other non-current credit facilities	5,627	–	5,482	
Bank overdrafts and borrowings	148,497	–	148,497	
Trade and other payables, being financial instruments	131,467	–	131,467	
Derivatives	–	2,415	2,415	
	756,027	**2,415**	**721,825**	

2006	Loans and receivables	Assets recognised at fair value in the income statement	Fair value	Maximum credit risk
Financal fixed assets	6,811	–	3,580	9,899
Trade receivables	747,897	–	747,897	768,766
Other receivables, being financial instruments	10,894	–	10,894	10,894
Derivatives		238	238	238
Cash and cash equivalents	39,616	–	39,616	39,616
	805,218	**238**	**802,225**	**829,413**
Subordinated convertible bond	93,682	–	97,773	
Start subordinated loan	87,500	–	83,122	
Syndicated loan tranche A	296,786	–	300,000	
Financial lease commitments	869	–	880	
Other non-current credit facilities	4,000	–	4,031	
Bank overdrafts and borrowings	118,745	–	118,745	
Trade and other payables, being financial instruments	130,912	–	130,912	
Derivatives	–	266	266	
	732,494	**266**	**735,729**	

3.1.1 MARKET RISKS

Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets, group income is largely unaffected by interest rate fluctuations.

The group's cash flow interest rate risk is connected with its non-current and current borrowings. To limit the cash flow interest rate risk, some borrowings have been concluded for a longer term and at a fixed interest rate. Borrowings granted at variable interest rates expose the group to cash flow interest rate risks. It is the group's policy to hedge part of the cash flow interest rate risk with financial derivatives, depending on market forecasts for interest rate developments. All hedging of cash flow interest rate risks is subject to approval by the Board.
In 2006 and 2007 all borrowings obtained were denominated in euros.

The group regularly uses various simulated scenarios to ascertain whether existing measures to hedge the cash flow interest rate risk remain adequate. The two most relevant scenarios are set out below.

- A fluctuation of 50 basis points in the three-month EURIBOR rate has an impact of € 0.9 million (2006: € 1.0 million) on income before taxes, taking hedging measures into account and with all other factors being equal;
- An increase of 10 basis points in the spread between the two-year and 10-year EURIBOR swap rate has a negative impact of € 0.2 million on income before taxes, with all other factors being equal.

Section 28 describes which financial derivatives the group uses to hedge the cash flow interest rate risk.

Exchange rate risks
Given the limited volume of group activities in currencies other than euro (revenue less than 3% of total revenue and assets less than 1% of total assets), exchange rate risks are not hedged.

Price risks
The group has no exposure to price risks.

3.1.2 CREDIT RISKS

Credit risks arise from cash and cash equivalents, financial derivatives en deposits held at banks, as well as trade receivables. The group only uses reliable banks (which Moody's and S&P have rated no lower than 'A') for its deposits and derivatives business.
Trade receivables are generally insured. Trade with governments and financial institutions is not insured. Where a trade receivable is not insured, the client's financial position is assessed prior to the trade, taking past experiences and other considerations into account. Credit limits are assigned to clients based on information supplied by insurance companies or internal guidelines approved by the Board. Credit limits are assessed regularly. In order to be able to make an accurate assessment of credit risks the Board receives information regarding the age of receivables (age analysis and receivables turnover ratio) for each operating company and separate information for each key account, number of disputes and amounts received.

3.1.3 LIQUIDITY RISKS

To manage liquidity risks the treasury department makes sure that there are sufficient cash and cash equivalents and credit facilities available. Treasury monitors the group's liquidity based on budgets, forecasts and strategic plans. In addition, the group's liquidity is safeguarded by compliance with the stated terms and conditions of the syndicated loan and other borrowings.
The Board uses cash flow and forecast reports to assess the liquidity risk.

The principal condition of the syndicated loan concerns the senior leverage ratio, which in principle should be kept below 2.5. At end-2007 an amount of € 218 million (2006: € 220 million) had not yet been used in the syndicated loan. The senior leverage ratio is reported to the banks on a quarterly basis. Figures for the senior leverage ratio are as follows:

	2007	2006
Operating income	243,859	194,206
Plus: depreciation and amortisation	43,490	57,247
Minus: income from disposal of subsidiaries	247	19,081
	287,102	**232,372**
Total net debt position as at 31 December	569,423	611,123
Minus: subordinated convertible bond and Start subordinated loan	171,790	181,182
	397,633	**429,941**
Senior leverage ratio	1.4	1.9

The table below provides an overview of the group's net financial commitments based on their respective repayment terms. The amounts listed in the table are contractually agreed cash flows which have not been discounted. Amounts payable within one year have not been discounted in view of their limited importance and therefore match the amounts shown in 23, 26, 27 and 28.

Conditions and repayment terms 2007 based on nominal value including interest due

	Total	0-3 mths	3-6 mths	6-12 mths	1-2 years	2-5 years	More than 5 years
Subordinated convertible bond	132,249	–	–	3,450	3,450	125,349	–
Securitisation programme	47,699	–	–	47,699	–	–	–
Start subordinated loan	85,500	15,500	–	–	15,000	42,000	13,000
Syndicated loan, tranche A	362,494	–	7,575	7,575	52,177	295,167	–
Syndicated loan, tranche B1	44,431	44,431	–	–	–	–	–
Other credit facilities	6,117	1,050	–	1,291	3,776	–	–
Financial lease commitments	1,905	267	268	533	813	24	–
Trade and other payables	131,467	131,467	–	–	–	–	–
Derivative on syndicated loan (28.1)	2,415	2,415	–	–	–	–	–
	814,277	**195,130**	**7,843**	**60,548**	**75,216**	**462,540**	**13,000**

Conditions and repayment terms 2006 based on nominal value including interest due

	Total	0-3 mths	3-6 mths	6-12 mths	1-2 years	2-5 years	More than 5 years
Subordinated convertible bond	135,700	–	–	3,450	3,450	10,350	118,450
Securitisation programme	52,598	–	–	52,598	–	–	–
Start subordinated loan	101,500	16,000	–	–	15,500	43,500	26,500
Syndicated loan, tranche A	342,393	–	25,533	25,109	48,946	242,805	–
Other credit facilities	4,247	1,098	–	1,075	2,074	–	–
Financial lease commitments	913	190	190	381	152	–	–
Trade and other payables	130,912	130,912	–	–	–	–	–
Derivative on syndicated loan (28.1)	192	192	–	–	–	–	–
Derivative, Convertible swap (28.2)	74	74	–	–	–	–	–
	768,529	**148,466**	**25,723**	**82,613**	**70,122**	**296,655**	**144,950**

3.2 CAPITAL RISK MANAGEMENT

Capital risk management is aimed at safeguarding the continuity of the group, making proceeds available for shareholders and commitments to other stakeholders, and maintaining an optimum capital structure in order to reduce the costs of capital.

To maintain or amend the capital structure, the group can adjust the dividend, pay back capital to shareholders, issue new shares or divest assets to reduce liabilities.

The group uses a gearing ratio to manage its capital. This ratio is calculated as net debt divided by total capital. Net debt equals total debt (including borrowings and trade and payables as stated in the consolidated balance sheet) less cash and cash equivalents. Total capital equals total equity plus net debt.

During 2007 (as in 2006) the group's objective was to maintain its gearing ratio at a level that complies with the terms and conditions of the syndicated loan (23.1). The gearing ratio for 2007 and 2006 was as follows:

	2007	2006
Total debt	1,273,737	1,324,233
Minus: Start subordinated loan and convertible bond	171,790	181,182
Minus: cash and cash equivalents	55,136	39,616
Net debt	**1,046,811**	**1,103,435**
Total shareholders' equity including Start subordinated loan and convertible bond	857,502	756,731
Total equity	**1,904,313**	**1,860,166**
Gearing ratio	0.55	0.59

3.3 ESTIMATING FAIR VALUE

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date.
The fair value of financial instruments not traded in an active market is determined using valuation techniques. The group uses various methods and makes assumptions based on market conditions at the balance sheet date. For non-current debt, it uses market prices or market prices given by traders for similar instruments, while other techniques, such as estimated present value calculations, are used to determine the value of other financial instruments. The fair value of interest rate derivatives is estimated using the discounted cash flow method.
The principal methods and assumptions used to estimate the fair values as stated in 3.1 are summarised below.

- Interest-bearing borrowings and debts: fair value is calculated using the present value of expected future cash flows arising from repayments and interest payments.
- Subordinated convertible bond: fair value is based on listed trading prices.
- Lease commitments: fair value is estimated using the present value of expected future cash flows, discounted at the interest rate applicable to comparable lease contracts.
- Guarantee deposits: fair value of non-interest bearing guarantee deposits with no fixed maturity is equal to nil. The fair value of interest-bearing guarantee deposits with a fixed maturity is estimated using the discounted cash flow method.
- Trade receivables, trade payables, other receivables and payables being financial instruments: For current receivables and payables with a maturity of less than a year the fair value is equal to the nominal value. The fair value of all other receivables and payables is calculated using the discounted cash flow method.
- Derivatives: The fair value is estimated using Black-Scholes model for i-rates.

Interest rates as used to determine fair value: the group discounts its financial instruments using the effective return appropriate to its risk profile and the maturity of the financial instrument at the balance sheet date. The following rates are used:

	2007	2006
Non-current borrowings and debts	8.3%	3.9 - 4.1%

The fair value is determined using either the market value at the balance sheet date or by discounting the relevant cash flows using the discount rate applicable to comparable instruments.

4 ESTIMATES AND JUDGEMENTS BY THE MANAGEMENT

The Board has discussed with the Supervisory Board the development and choice of the fundamental principles of financial reporting and estimates, as well as how these principles should be applied and information pertaining to them should be provided.

4.1 PRINCIPLE SOURCES OF ESTIMATION UNCERTAINTY

Note 16 contains information on assumptions and associated risk factors surrounding the impairment of goodwill. Note 3.1.1 indicates that

the group's sensitivity to exchange rate fluctuations is limited.

4.2 CRITICAL VALUATION ESTIMATES IN THE APPLICATION OF GROUP REPORTING RULES

The group makes estimates and assumptions regarding future developments. An estimate is by definition rarely identical to the actual outcome. Estimates and assumptions which could lead to substantive adjustments in the carrying amount of assets and liabilities in the coming financial year are detailed below.

Estimated impairment of goodwill

The group tests annually whether its goodwill is subject to impairment, as described in section 2.5. The recoverable value of cash-generating units is determined according to value in use, which is calculated using the discounted cash flow method applying a discount factor derived from the weighted average cost of capital.
A 20% increase in this weighted average cost of capital would result in an impairment of € 27.7 million (2006: € 6.7 million).

Taxes

The group has income tax liability in several countries. The ultimate tax consequences of many transactions are uncertain, partly because of uncertainty concerning their timing. The group makes provisions for possible extra tax liabilities arising from tax audits. Where actual tax sums differ from the amounts initially recognised this will have consequences for the (deferred) income tax provisions in the period in which the differences become apparent.

Intangible assets

When a company is acquired, a value is assigned to intangible assets such as trade marks, customer relationships and candidate databases. The determination of the value at the time of acquisition and estimated useful life is subject to uncertainty. One of the calculations used to determine the value is the discounting of expected future results of existing customers at the time of the acquisition. Useful life is estimated using past experience and useful life periods as broadly accepted in the temporary employment sector.

5 SEGMENT BREAKDOWN

BREAKDOWN BY ACTIVITY

	General staffing		Specialist staffing		Professionals	
	2007	2006	2007	2006	2007	2006
Net revenue	2,324,684	2,134,523	1,170,748	1,056,406	369, 773	284,716
Expenses	2,219,542	2,057,523	1,040,364	949,661	333,064	258,136
Other income and expenses	–	–	–	–	–	–
Operating income for segment	105,142	77,000	130,384	106,745	36,709	26,580
Operating income as percentage of revenue	4.5%	3.6%	11.1%	10.1%	9.9%	9.3%
Assets	950,322	933,411	647,442	581,549	222,044	205,577
Liabilities	383,393	420,877	154,009	149,773	44,130	45,661
Investments	19,276	10,515	7,471	7,486	1,673	1,931
Depreciation and impairment of property, plant and equipment and intangible assets	13,596	13,770	12,959	15,544	4,328	10,528

GROGRAPHICAL BREAKDOWN

	The Netherlands		Belgium / Luxemburg		France	
	2007	2006	2007	2006	2007	2006
Net revenue	1,724,014	1,597,453	798,824	747,091	567,157	487,161
Assets	839,041	838,848	382,959	399,565	280,938	243,305
Investments	19,673	15,691	9,613	11,549	3,170	1,654
Depreciation and impairment of property, plant and equipment and intangible assets	24,186	37,149	9,641	14,581	2,619	2,531
Employees (direct and indirect) on FTE basis	43,682	43,085	20,571	20,113	18,375	16,198

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

Other activities		Corporate		Not allocated to segments		Total	
2007	2006	2007	2006	2007	2006	2007	2006
22,476	61,191	–	–	–	–	3,887,681	3,536,836
21,577	67,659	30,084	28,875	–	–	3,644,631	3,361,854
809	19,224	–	–	–	–	809	19,224
1,708	12,756	-30,084	-28,875	–	–	243,859	194,206
7.6%	20.8%	–	–	–	–	6.3%	5.5%
28,382	55,277	53,192	31,524	58,067	92,444	1,959,449	1,899,782
3,490	11,563	200,154	236,262	488,561	460,097	1,273,737	1,324,233
1,689	2,003	13,260	11,098	–	–	43,369	33,033
1,857	11,968	10,750	5,437	–	–	43,490	57,247

Spain / Portugal		Italy		Other*		Not allocated		Total	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
403,974	373,124	147,646	136,389	246,066	195,618	–	–	3,887,681	3,536,836
175,554	147,095	74,968	75,983	147,922	102,542	58,067	92,444	1,959,449	1,899,782
7,804	2,516	1,020	739	2,089	884	–	–	43,369	33,033
2,675	1,668	550	474	3,819	844	–	–	43,490	57,247
18,300	18,275	5,493	5,098	14,605	11,043	–	–	121,026	113,812

6 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

	2007	2006
Outflow of cash and cash equivalents as a result of acquisition	55,368	17,467
Consideration paid in cash and cash equivalents for non-consolidated subsidiaries	–	1,580
Earn-out arrangements	743	740
Buy-out of minority shareholders	473	4,199
Cash flow resulting from revision of net assets in connection with the Solvus acquisition	–	7,793
Acquisition of subsidiaries in cash flow statement	**56,584**	**31,779**

6.1 ACQUISITIONS IN 2007

In 2007 the group acquired Tempsys/ Multi Compta in Belgium and France (May), All4Students in the Netherlands (June), Geko Zeitarbeit GmbH in Germany (July) and Professionalia in Spain (August). The acquisitions are recognised using the purchase method. After the initial allocation of the cost price of the acquisition to the assets, liabilities and contingent liabilities acquired, an amount of € 41.6 million was identified as goodwill. The initial allocation of the cost price of the acquisitions was determined on a provisional basis. Group income for 2007 includes a sum of € 1.5 million representing the positive result of the companies acquired.
If the acquired companies had been consolidated for the whole of 2007, net revenue for the year would be € 20.7 million higher and net income € 1.3 million higher.
The acquired assets, liabilities and goodwill are as follows:

Consideration paid in cash and cash equivalents	66,640
Fair value of acquired net assets and liabilities	25,037
Goodwill	**41,603**

Goodwill is mainly attributable to a broader spread of the activities across European countries.

The assets and liabilities arising from acquisitions at the acquisition date were as follows:

	Fair value	Carrying amount
Customer relationships	8,302	–
Trade marks and licences	6,802	–
Candidate databases	7,765	–
Property, plant and equipment	62	62
Other intangible assets	667	667
Deferred income tax receivables	417	417
Financial fixed assets	259	259
Trade and other receivables	8,428	8,428
Cash and cash equivalents	12,357	12,357
Deferred income tax liabilities	-5,457	–
Non-current provisions	-21	-21
Non-current borrowings	-3,794	-3,794
Bank overdrafts and borrowings	-1,085	-1,085
Income tax liabilities	-1,919	-1,919
Trade and other payables	-7,746	-7,746
Acquired assets and liabilities	**25,037**	**7,625**
Consideration in return paid in cash and cash equivalents	66,640	
Cash and cash equivalents and bank overdrafts at acquired subsidiaries	11,272	
Outflow of cash and cash equivalents as a result of acquisitions	**55,368**	

6.2 DIVESTMENTS IN 2007

In March 2007 USG People N.V. divested Telecom Direct Almere (TDA). The financial results of TDA have been recognised in the consolidated income statement for 2007 for the period that the group had a controlling interest in the subsidiary sold.
Divested net assets and liabilities are as follows:

Selling price:	
Cash and cash equivalents received	3,125
Carrying amount of net assets and liabilities divested	667
Goodwill on divested subsidiary sold	2,211
Result from sale of subsidiary	**247**

The result on the disposal of subsidiaries is recognised under Other income and expenses (9) in the income statement.

The assets and liabilities connected with the disposal are as follows:

Property, plant and equipment	401
Intangible assets	11
Trade and other receivables	3,599
Income tax	286
Trade and other payables	-3,630
Divested net assets and liabilities	**667**
Consideration received in return in cash and cash equivalents	3,300
Cash and cash equivalents and banks overdrafts at divested subsidiary	175
Inflow of cash and cash equivalents as a result of divestment	**3,125**

6.3 ACQUISITIONS IN 2006

In 2006 USG People N.V. acquired Utrechtse Juristen Groep (July), Start Czech (September) and Start Slovakia (September). The acquisitions are recognised using the purchase method. After initial allocation of the cost price of the acquisition to the assets, liabilities and contingent liabilities acquired, an amount of € 14,621 was identified as goodwill.
Group income for 2006 includes a sum of € 1.2 million representing the positive result of the companies acquired.
If the acquired companies had been consolidated for the whole of 2006, net revenue for the year would be € 18.6 million higher and net income € 0.5 million lower.

The acquired assets, liabilities and goodwill are as follows:

Consideration paid in cash and cash equivalents	17,649
Fair value of acquired assets and liabilities	3,028
Goodwill	**14,621**

Goodwill is mainly attributable to completion of the portfolio of activities in the Netherlands and a broader spread of the activities across European countries.

Assets and liabilities arising from the acquisitions at the acquisition date are 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 receivables	-893	-6
Non-current borrowings	-99	-99
Income tax liabilities	-600	-600
Trade and other payables	-7,388	-7,388
Net assets and liabilities	**3,068**	**958**
Minority interests	-40	-40
Acquired net assets and liabilities	**3,028**	**918**
Consideration paid in return in cash and cash equivalents	17,649	
Cash and cash equivalents and bank overdrafts at acquired subsidiaries	182	
Outflow of cash and cash equivalents as a result of acquisition	**17,467**	

6.4 DIVESTMENTS IN 2006

In 2006 USG People N.V. divested its training activities (Luzac and Buro Transport en Opleiding). The financial results of the divested companies were recognised in the consolidated income statement for 2006 for the period that the group had a controlling interest in the subsidiaries sold. The divested net assets and liabilities are as follows:

Selling price:	
Cash and cash equivalents received	15,273
Carrying amount of net assets and liabilities divested	-3,839
Goodwill on divested subsidiaries	31
Result on sale of subsidiaries	**19,081**

The result from the disposal of subsidiaries is recognised under Other income and expenses (9) in the income statement.

The assets and liabilities connected with the disposals are as follows:

Property, plant and equipment	1,524
Deferred income tax	-52
Trade and other receivables	3,623
Non-current commitments	-103
Trade and other payables	-7,579
Income tax	-1,175
Divested net assets and liabilities	**-3,762**
Minority interests	-77
	-3,839
Consideration received in return in cash and cash equivalents	24,410
Cash and cash equivalents and bank overdrafts at divested subsidiary	9,137
Inflow of cash and cash equivalents as a result of divestments	**15,273**

7 COST OF SALES

	2007	2006
Wage and salary costs of direct employees	2,228,933	2,028,250
Social security contributions	523,080	524,643
Premiums for defined contribution pension schemes	8,309	7,118
Other costs relating to direct employees	159,531	130,034
	2,919,853	**2,690,045**

8 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006
Employee costs	483,752	436,155
Depreciation	39,868	47,347
Impairment	3,622	9,900
Other expenses	197,536	178,407
	724,778	**671,809**
Recognised in the income statement under selling expenses	612,749	574,513
Recognised in the income statement under general and administrative expenses	112,029	97,296
	724,778	**671,809**

8.1 BREAKDOWN OF EMPLOYEE COSTS

	2007	2006
Wages and salaries	315,791	286,785
Social security contributions	62,855	60,805
Premiums for defined contribution pension schemes	7,533	4,837
Costs of defined benefit pension schemes	2,417	3,280
Costs of share plan	4,217	4,253
Other employee costs	90,939	76,195
	483,752	**436,155**

8.2 SHARE PLAN

The Wages and salaries item includes an amount of € 4,217 (2006: € 3,533) in costs relating to the allocation of shares to key management and other employees. The shares will be allocated in 2008 (237,000 in total) and 2011 (55,000) provided the terms stated in 21.2 are met unconditionally.

8.3 NUMBER OF INDIRECT EMPLOYEES (FTE)

	2007	2006
As at 31 December	8,849	8,326
Average for the financial year	8,685	8,251

9 OTHER INCOME AND EXPENSES

	2007	2006
Result on sale of subsidiaries	247	19,081
Result on non-consolidated subsidiaries	358	3
Other	204	140
	809	**19,224**

10 FINANCIAL EXPENSES

	2007	2006
Interest on borrowings	34,203	34,356
Commitment fee on syndicated loan	367	612
Other interest expenses	1,454	1,156
Currency translation differences	–	214
	36,024	**36,338**

For details of how the financial expenses are calculated, please refer to 23. For the valuation of financial derivatives, please refer to 28. The Other interest expenses item comprises interest on financial leases and interest on current accounts with the banks.

11 FINANCIAL INCOME

	2007	2006
Realised and change in unrealised result on financial derivatives	2,442	4,005
Interest received	467	318
Currency translation differences	91	–
	3,000	**4,323**

12 TAXES

	2007	2006
Current taxes	47,841	56,891
Deferred taxes	22,481	-5,982
Charge in financial statements	**70,322**	**50,909**

Taxation on group profit before taxes differs as follows from the charge as calculated using the weighted average standard tax rate for consolidated entities:

	2007	2007 %	2006	2006 %
Operating income before taxes	210,835		162,191	
Taxation based on weighted average tax rates	63,710	30.3%	52,216	32.2%
Non tax-deductible costs	6,210	2.9%	9,062	5.6%
Effect of change in tax rates	2,986	1.4%	1,559	1.0%
Losses not valued	8,958	4.2%	2,236	1.4%
Unused tax losses carried forward	–	0.0%	-2,433	-1.5%
Deferred income tax gain/charge from previous financial years	1,121	0.5%	862	0.5%
Tax-exempt revenues	-12,663	-5.9%	-12,593	-7.8%
Charge in financial statements	**70,322**	**33.4%**	**50,909**	**31.4%**

The weighted average standard tax rate in 2007 was 30.3% (2006: 32.2%). The decrease compared to the previous year was due to a change in the composition of the profits of subsidiary companies in various countries and a reduction in the tax rate in various countries.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Furnishings and conversions	Computers and peripherals	Other fixed assets	Total
Balance as at 1 January 2006					
Cost	1,311	92,502	70,267	59,751	223,831
Cumulative 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 arising from					
Acquisition of subsidiaries	–	2	296	304	602
Investments	–	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
Disposals connected with sale of subsidiaries	-653	-503	-171	-197	-1,524
Balance	**-726**	**55**	**-1,096**	**456**	**-1,311**
Breakdown of carrying amount as at 31 December 2006					
Cost	549	100,450	70,285	58,686	229,970
Cumulative depreciation and impairment	-349	-71,577	-60,940	-41,327	-174,193
Carrying amount as at 31 December 2006	**200**	**28,873**	**9,345**	**17,359**	**55,777**

	Buildings and land	Furnishings and conversions	Computers and peripherals	Other fixed assets	Total
Balance as at 1 January 2007					
Cost	549	100,450	70,285	58,686	229,970
Cumulative depreciation and impairment	-349	-71,577	-60,940	-41,327	-174,193
Carrying amount	**200**	**28,873**	**9,345**	**17,359**	**55,777**
Changes in carrying amount arising from					
Acquisition of subsidiaries	–	23	36	3	62
Investments	–	17,719	6,518	7,089	31,326
Disposals	–	-122	-361	-858	-1,341
Depreciation	-25	-9,608	-5,098	-4,026	-18,757
Impairment	–	–	-6	-3	-9
Currency translation differences	–	–	4	19	23
Disposals connected with sale of subsidiaries	–	-48	-133	-220	-401
Balance	**-25**	**7,964**	**960**	**2,004**	**10,903**
Breakdown of carrying amount as at 31 December 2007					
Cost	549	113,361	47,717	63,368	224,995
Cumulative depreciation and impairment	-374	-76,524	-37,412	-44,005	-158,315
Carrying amount as at 31 December 2007	**175**	**36,837**	**10,305**	**19,363**	**66,680**

An amount of € 5,483 (2006: € 6,071) arising from depreciation of property, plant and equipment has been included in general and administrative expenses.
Lease payments totalling € 72,870 (2006: € 62,485) relating to cars and property leases are included in the income statement.
An amount of € 1,917 (2006: € 667) of the stated carrying amount of computers and peripherals is financed through financial leases.

14 GOODWILL

	2007	2006
Cost	811,068	776,005
Impairment	-9,900	–
Carrying amount as at 1 January	**801,168**	**776,005**
Acquisition of subsidiaries	41,603	14,621
Reclassifications	23,694	8,665
Acquisition of non-consolidated subsidiaries	–	1,491
Acquisition of interest held by minority shareholders	–	2,635
Subsequent payment arrangements relating to previous acquisitions	743	688
Revision of net assets and liabilities in connection with the Solvus acquisition	–	6,995
Disposal of subsidiaries	-2,211	-32
Impairment	-1,170	-9,900
Decline in goodwill due to recognition of previously unrecognised tax losses of subsidiaries acquired	-2,452	–
Total change	60,207	25,163
Carrying amount as at 31 December	**861,375**	**801,168**
Cost	862,545	811,068
Impairment	-1,170	-9,900
Carrying amount at 31 December	**861,375**	**801,168**

Reclassifications in 2006 concern adjustments of classifications from the previous year in relation to deferred taxes (18) and software (15). Reclassifications in 2007 relate to trade marks and licences, customer relationships and deferred income tax liabilities. The impairment in 2006 relates to Telecom Direct Almere, which was sold in 2007. Impairment testing of goodwill in 2007 led to an impairment charge in relation to the customer care activities.

Goodwill was attributed to the segments as follows:

	2007	2006
General Staffing	362,641	362,020
Specialist Staffing	357,333	300,523
Professionals	120,407	103,143
Other	20,994	35,482
	861,375	**801,168**

15 OTHER INTANGIBLE ASSETS

	Trade marks and licences	Customer relation-ships	Candidate databases	Software	Other	Total
Balance as at 1 January 2006						
Cost	45,395	85,837	–	54,445	485	186,162
Cumulative depreciation 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 arising from						
Acquisition of subsidiaries	–	2,997	–	25	–	3,022
Investments	–	–	–	11,237	68	11,305
Disposals	–	–	–	-1,590	–	-1,590
Depreciation	-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**
Breakdown of carrying amount as at 31 December 2006						
Cost	45,395	90,865	–	49,732	554	186,546
Cumulative depreciation and impairment	-11,924	-16,112	–	-34,712	-513	-63,261
Carrying amount as at 31 December 2006	**33,471**	**74,753**	**–**	**15,020**	**41**	**123,285**
Balance at 1 January 2007						
Cost	45,395	90,865	–	49,732	554	186,546
Cumulative depreciation and impairment	-11,924	-16,112	–	-34,712	-513	-63,261
Carrying amount	**33,471**	**74,753**	**–**	**15,020**	**41**	**123,285**
Changes in carrying amount arising from						
Acquisition of subsidiaries	6,802	8,302	7,765	473	194	23,536
Reclassifications	-9,884	-22,005	–	–	–	-31,889
Investments	–	–	–	11,893	150	12,043
Disposals	–	–	–	–	-71	-71
Depreciation	-3,252	-8,528	-806	-7,359	-32	-19,977
Impairment	–	–	–	-1,125	–	-1,125
Divestments connected with sale of subsidiaries				-11		-11
Currency translation differences	–	–	–	6	–	6
Balance	**-6,334**	**-22,231**	**6,959**	**3,877**	**241**	**-17,488**
Breakdown of carrying amount as at 31 December 2007						
Cost	34,254	72,872	7,765	60,443	616	175,950
Cumulative depreciation and impairment	-7,117	-20,350	-806	-41,546	-334	-70,153
Carrying amount as at 31 December 2007	**27,137**	**52,522**	**6,959**	**18,897**	**282**	**105,797**

An amount of € 4,844 (2006: € 3,349) arising from depreciation of intangible assets has been included in general and administrative expenses. In 2006 there was an impairment charge arising from the discontinuation of the Beaver brand in the Netherlands and Belgium. The impairment on software in 2007 concerns the early replacement of certain software. Reclassifications in 2006 and 2007 relate to adjustments of classifications regarding Goodwill (14).

16 IMPAIRMENT FOR CASH-GENERATING UNITS WHERE GOODWILL IS CAPITALISED

Cash-generating units to which goodwill has been assigned are subject to annual impairment testing. Impairment testing involves comparing the carrying amount (goodwill, property, plant and equipment and intangible assets) of the cash-generating units concerned with their recoverable value. The recoverable value of the various cash-generating units is determined by calculating their respective economic value. These calculations are based on future cash flows discounted using a pretax discount factor. For the group this resulted in an average pretax discount factor of 12.52% per cash-generating unit in 2007 (2006: 11.16%). Future cash flows are calculated based on actual income from operations and a seven-year projection. The divergence from the maximum five-year projection required under IAS 36 reflects past experience showing that a full market cycle in this sector lasts around seven years. Cash flows after seven years are extrapolated based on the average growth percentage for the seven-year projection, corrected for estimated inflation in the last three-and-a half years of the cycle. The principal assumptions in determining the economic value concern estimates of growth percentages in the countries where the cash-generating units operate. Impairment testing in 2007 resulted in a downward adjustment of € 1.2 million in the valuation of goodwill pertaining to the customer care activities.

A 20% higher discount factor than the one actually used would have resulted in an extra impairment of € 4.3 million for these activities. In 2006 there was a downward adjustment of € 9.9 million in the valuation of goodwill pertaining to Telecom Direct Almere b.v. (sold in 2007).

17 FINANCIAL FIXED ASSETS

	2007	2006
Guarantee deposites	6,431	6,063
Other non-current receivables	35	530
Minority interests	583	218
Balance as at 31 December	**7,049**	**6,811**

The payment period of the financial fixed assets has not expired and no provision for non-payment has been made with respect to the financial fixed assets.
The guarantee deposits are intended as guarantees for the lessors of leased premises and for payment of social security premiums and taxes. As the majority of the guarantee deposits need to be retained for as long as temporary employment activities are undertaken, no end date can be established for the guarantee deposits. As a result, the fair value of the guarantee deposits is the same as their nominal value.

18 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	2007	2006
Deferred income tax assets:		
- Deferred income tax assets for settlement after more than 12 months	34,634	52,734
- Deferred income tax assets for settlement within 12 months	6,431	16,143
	41,065	**68,877**
Deferred income tax liabilities:		
- Deferred income tax liabilities for settlement after more than 12 months	33,630	38,835
- Deferred income tax liabilities for settlement within 12 months	5,138	7,435
	38,768	**46,270**
Deferred income tax assets (net)	**2,297**	**22,607**
Gross change in deferred income taxes		
Balance as at January 1	22,607	52,469
Change arising from reclassification of intangible assets (15)	8,195	–
Movement to/from current taxes	-984	-22,165
Acquisition of subsidiaries	-5,040	-893
Disposal of subsidiary	–	52
Transfer to income statement	-22,481	-5,982
Transfer to equity	–	-874
Balance as at 31 December	**2,297**	**22,607**

The deferred income tax assets and liabilities consist of:

	2007	2006
Deferred income tax assets		
Tax losses carried forward	33,509	56,757
Other	7,556	12,120
Balance at 31 December	**41,065**	**68,877**

The Other deferred income tax assets item includes temporary differences for tax-deductible goodwill and temporised interest.

	2007	2006
Deferred income tax liabilities		
Intangible assets	24,442	27,492
Subordinated convertible bond	4,643	5,436
Other	9,683	13,342
Balance as at 31 December	**38,768**	**46,270**

The other deferred income tax liabilities item includes temporary differences relating to the insurance reserve for tax purposes, tax-deductible goodwill and a liability connected with a defined benefit pension scheme.

	2007	2006
Deferred income tax booked directly to equity		
Change in deferred income taxes on the equity component of the subordinated convertible bond	–	874
Balance as at 31 December	**–**	**874**

Changes in non-capitalised balance sheet items relating to tax losses carried forward during the financial year are as follows:

	2007	2006
Unrecognised losses		
Balance as at 1 January	9,191	9,388
Additional unrecognised losses	8,958	2,236
Recognition of previously unrecognised losses	–	-2,433
Balance as at 31 December	**18,149**	**9,191**

The Additional unrecognised losses item comprises losses that are not expected to be offset in the future.
In view of the improved outlook, previously unrecognised losses have now been recognised. In addition in 2006, an unexpected gain was booked which enabled losses to be carried forward.

19 TRADE AND OTHER RECEIVABLES

	2007	2006
Trade receivables invoiced	764,969	755,425
Trade receivables to be invoiced	24,004	13,341
Trade receivables exposed to risk	**788,973**	**768,766**
Bad-debt provision	18,562	20,869
Trade receivables less bad-debt provision	**770,411**	**747,897**
Other current receivables	14,399	10,894
Accrued income	15,543	11,088
Balance as at 31 December	**800,353**	**769,879**

The payment period of trade receivables totalling € 128.7 million (2006: € 132.5 million) expired while no bad-debt provision had been made. Nor were these receivables covered by insurance. These receivables relate to clients who had no history of default. The age analysis on these receivables is as follows:

	2007	2006
Trade receivables of which the payment period has not yet expired	478,278	463,342
Trade receivables of which the payment period has expired	292,133	284,555
Trade receivables of which the payment period has expired and for which a provision has been made	18,562	20,869
	788,973	**768,766**

Breakdown of trade receivables of which the payment period has not yet expired:

	2007	2006
Governments and financial institutions	27,026	20,190
Insured receivables	342,312	320,250
Uninsured receivables	108,940	122,902
Trade receivables of which the payment period has not yet expired	**478,278**	**463,342**

Receivables from government and financial institutions are not insured as the risk of default is considered to be negligible.
Insured receivables are insured with an 'A' rated (S&P) insurance company.
Uninsured receivables include any own risk and receivables arising from sales whereby the insurance company has set no credit limit or whereby the sales exceeded the established credit limit. Uninsured receivables consist mainly of receivables from small parties operating in various sectors.
No bad-debt provision has been made for receivables of which the payment period has not yet expired, nor for the other current receivables. The payment period on the other current receivables has not yet expired.

Breakdown of trade receivables of which the payment period has expired:

	2007	2006
Up to 90 days after end of payment period	100,586	94,214
91 – 180 days after end of payment period	17,790	19,032
181 – 360 days after end of payment period	9,212	11,962
361 days or more after end of payment period	1,076	7,288
Balance as at 31 December	**128,664**	**132,496**
VAT on receivables of which the payment period has expired	48,702	45,981
Insured receivables	114,767	106,078
	292,133	**284,555**

Belgian trade receivables totalling a maximum of € 60.6 million have been sold in connection with the securitisation programme (23.3), with the group retaining the credit risk.

Developments regarding the bad-debt provisions are as follows:

	2007	2006
Balance as at 1 January	20,869	29,085
Provisions made during the year	10,332	12,390
Trade receivables written off	-7,494	-13,186
Release during the year	-5,150	-6,793
Currency translation differences	5	7
Withdrawal due to disposal of subsidiaries	–	-634
Balance as at 31 December	**18,562**	**20,869**

The creation of bad-debt provisions and releases from such provisions are recognised as selling expenses in the income statement.

20 CASH AND CASH EQUIVALENTS

	2007	2006
Cash and cash equivalents at 31 December as stated on the balance sheet	55,136	39,616
Bank overdrafts	-11,604	-27,027
Cash and cash equivalents as stated in the cash flow statement	**43,532**	**12,589**

An amount of € 958 (2006: € 2,658) is not freely available to the group and is intended exclusively to cover social security contributions. Cash and cash equivalents are lodged exclusively with financial institutions rated no lower than 'A' (S&P or Moody's).

21 EQUITY

21.1 SHARE CAPITAL

Paid-up and called-up capital

	Number of shares *(x 1,000)*	Paid up and called up	Share premium	Total
Balance as at 1 January 2006	31,484	31,484	288,267	319,751
2-for-1 split	31,484	–	–	–
Issuance resulting from exercise of option rights	150	75	754	829
Balance as at 31 December 2006	**63,118**	**31,559**	**289,021**	**320,580**
Balance as at 1 January 2007	63,118	31,559	289,021	320,580
Issuance resulting from exercise of option rights	81	41	473	514
Stock dividend	481	241	-241	–
Conversion of convertible bond	–	–	1	1
Balance as at 31 December 2007	**63,680**	**31,841**	**289,254**	**321,095**

Issued at 1 January 2006	31,484
Issuance resulting from exercise of option rights up until stock split	33
Shares outstanding at stock split	**31,517**
Stock split	31,517
Issuance resulting from exercise of option rights after stock split	84
Dividend entitlement at 31 December 2006/ Issued at 1 January 2007	**63,118**
Issuance resulting from exercise of option rights	81
Stock dividend	481
Dividend entitlement at 31 December 2007	**63,680**

The authorised share capital as at 31 December 2007 (and 2006) comprised 192 million shares with a nominal value of € 0.50. On 13 October 2006 the shares of USG People N.V. were subject to a two-for-one stock split, as a result of which the nominal value per share was halved from € 1.00 to € 0.50.
Holders of ordinary shares are entitled to the distribution of dividends as approved periodically by the General Meeting of Shareholders. Holders are also entitled to one vote per share at the company's shareholders' meetings.
The Executive Board proposes to distribute a dividend of € 0.81 per share (2006: € 0.72), chargeable to the reserves.

21.2 SHARE OPTION PLAN AND SHARE PLAN

The movements regarding share option rights in 2006 were as follows:

Year of issurance	Valid for	Number of partici-pants	Issued	Outstan-ding at 1 Jan	Expired	Exercised	Outstan-ding at 31 Dec	Exercise price (€)
2001	5 jaar	183	138,894	13,742	1,204	12,538	0	10.85
2002	5 jaar	174	162,904	21,456	840	10,208	10,408	11.60
2003	5 jaar	454	186,676	73,406	13,104	44,884	15,418	4.58
2004	5 jaar	318	283,558	208,128	4,176	81,994	121,958	5.63
				316,732	**19,324**	**149,624**	**147,784**	

The movements regarding share option rights in 2007 were as follows:

2002	5 jaar	174	162,904	10,408	504	9,904	0	11.60
2003	5 jaar	454	186,676	15,418	-350	8,252	7,516	4.58
2004	5 jaar	318	283,558	121,958	-19,335	65,633	75,660	5.63
				147,784	**-19,181**	**83,789**	**83,176**	

The number of expired option rights is negative as a result of 23,000 option rights previously being wrongly recognised as having expired.
For the exercise of the 83,789 option rights 81,121 new shares were issued, while 2,668 shares were issued which were held as treasury shares.
No new option rights have been granted to employees since 2005.

All outstanding option rights can be exercised as soon as they are granted. As all outstanding option rights were exercisable at 1 January 2006, no costs relating to the option rights are recognised in the 2006 and 2007 income statement.

In 2007, the number of option rights exercised was 83,789 (2006: 149,624 option rights (post split)) at an average price of € 33.41 (2006: € 30.98). The total value of option rights exercised equalled € 0.5 million (2006: € 0.8 million).

The movements regarding the share plan in 2006 were as follows:

	Year granted	Expiry	Number of participants	Granted in 2006	Expired in 2006	Balance as at end-2006	Average price for determining fair value (€)
Key management	2006	2008	6	131,000	–	131,000	31.93
	2006	2011	5	30,750	–	30,750	31.93
Other	2006	2008	100	121,682	–	121,682	30.33
	2006	2011	100	30,421	–	30,421	30.33

The movements regarding the share plan in 2007 were as follows:

	Year granted	Expiry	Number of participants	Balance as at end-2006	Expired in 2007	Balance as at end-2007	Average price for determining fair value (€)
Key management	2006	2008	6	131,000	–	131,000	31.93
	2006	2011	5	30,750	2,250	28,500	31.93
Other	2006	2008	100	121,682	15,624	106,058	30.33
	2006	2011	100	30,421	3,906	26,515	30.33

In 2007, a total of 200,000 shares were repurchased for the Unique Share Plan. Management has not yet decided whether the remaining shares required will be repurchased or whether new shares will be issued.
The Unique Share Plan covers the period from 1 January 2005 to1 January 2011. The initial unconditional allocation of shares will take place after a period of three years, in May 2008. The principal performance criteria for the financial years 2005, 2006 and 2007 are:

- Average annual revenue growth of USG People of at least 12.5% over the period as a whole;
- EBITA equalling no less than 6.5% of revenue in 2007;
- Allocation will only take place on condition that both criteria are met and on condition that the participant is still employed by the group in May 2008.

Additional shares will also be granted in May 2011, provided the participant has retained the shares obtained in May 2008 until year-end 2010 and provided the participant is still in USG People's employment at that time.
The fair value is based on the quoted price of USG People N.V. shares at the time the share plan was effectively allocated, taking

into account expected future dividends (as determined in the group's dividend policy). The wage tax and social security premiums of the members of the Board and the Executive Committee are payable by the company. The costs are allocated to the years during which the performance of the shares' recipient took place.

21.3 NAMED RESERVES

Named reserves can be broken down as follows:

	2007	2006
Equity component of subordinated convertible bond	14,716	14,716
Share plan	6,093	2,278
Shares repurchased	-4,826	–
Currency translation differences	-102	-21
	15,881	**16,973**

In October 2007, a total of 200,000 were repurchased at an average price of € 24.13. These shares were repurchased in connection with the expected issuance of shares under the Unique Share Plan (zie 21.2).

21.4 RETAINED EARNINGS

Distribution of retained earnings is not subject to any restrictions other than legal restrictions, which did not apply to USG People N.V. at end-2007.

22 EARNINGS PER SHARE

Average earnings per share in 2007 amounted to € 2.21 (2006: € 1.76). Average earnings per share after dilution in 2007 equalled € 2.04 (2006: € 1.63). Average earnings per share at 31 December 2007 is based on net income available to ordinary shareholders, equalling € 140,011 (2006: € 110,853), and the weighted average number of outstanding shares in 2007, equalling 63,423 (2006: 63,016) and is calculated as follows:

22.1 NET EARNINGS PER SHARE

The entire net income of € 140,011 (2006: € 110,853) is available to ordinary shareholders.

Weighted average number of ordinary shares

	2007	2006
(x 1,000 shares)		
Issued at 1 January	63,118	31,484
Issuance resulting from exercise of option rights up until stock split	–	20
Stock split at 13 October 2006	–	31,504
Issuance resulting from exercise of option rights (for 2006 after stock split)	60	8
Issuance resulting from issue in connection with stock dividend and conversion of convertible bond	303	–
Treasury shares	-58	–
Weighted average number of shares during the year	**63,423**	**63,016**

22.2 NET EARNINGS PER SHARE ADJUSTED FOR DILUTION

Average earnings per share after dilution at 31 December 2007, equalling € 2.04 (2006: € 1.63), is based on net income available to ordinary shareholders, equalling € 140,011 (2006: € 110,853), plus the interest on the subordinated convertible bond and the weighted average number of outstanding shares in 2007 after dilution, equalling 69,925 (2006: 69,583), and is calculated as follows:

Net income available to ordinary shareholders (after dilution)

	2007	2006
Net income available to ordinary shareholders	140,011	110,853
Net interest effect on convertible bonds	2,570	2,570
Net income available to ordinary shareholders (after dilution)	**142,581**	**113,423**

Weighted average number of ordinary shares (after dilution)

	2007	2006
(x 1,000 shares)		
Weighted average number of shares	63,423	63,016
Effect of outstanding convertible bonds	6,419	6,419
Effect of outstanding option rights	83	148
Weighted average number of shares (after dilution) as at 31 December	**69,925**	**69,583**

22.3 DIVIDEND PER SHARE

Dividends distributed during 2007 amounted to € 45,445 (€ 0.72 per share). Of this sum, € 29,170, was distributed in cash and the remainder in shares (481,327 shares). In 2006, cash dividends totalling € 12,602 (€ 0.20 per share) were distributed. At the General Meeting of Shareholder on 29 April 2008 a dividend of € 0.81 per share will be proposed for 2007 (total dividend distribution: € 51,581). The amount of this dividend proposal has not been recognised in these financial statements.

23 NON-CURRENT INTEREST-BEARING BORROWINGS AND LIABILITIES

This note contains information on the contractual terms of the non-current interest-bearing borrowings and liabilities. For more information on the interest risk exposure, please refer to note 28.

	2007	2006
Carrying amount of non-current interest-bearing borrowings and liabilities	476,063	625,676
Current portion of the borrowings	-15,564	-194,579
	460,499	**431,097**

Conditions and repayment terms 2007 based on carrying amount

	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Subordinated convertible bond	96,790	–	–	96,790	–
Start subordinated loan	75,000	12,500	12,500	37,500	12,500
Syndicated loan, tranche A	296,858	–	36,043	260,815	–
Other non-current credit facilities	5,627	2,067	3,560	–	–
Financial lease commitments	1,788	997	769	22	–
	476,063	**15,564**	**52,872**	**395,127**	**12,500**

Conditions and repayment terms 2006 based on carrying amount

	Total	1 year or less	1-2 years	2-5 years	More than 5 years
Subordinated convertible bond	93,682	–	–	–	93,682
Securitisation programme	49,157	49,157	–	–	–
Start subordinated bond (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 facilities	4,000	2,000	2,000	–	–
Financial lease commitments	869	724	145	–	–
	531,994	**100,897**	**51,282**	**261,133**	**118,682**

23.1 SYNDICATED LOAN

	2007	2006
Net proceeds of syndicated loan, tranche A	296,786	295,787
Waiver fee	-750	–
Interest expenses	14,753	15,378
Interest paid	-13,931	-14,379
Carrying amount of tranche A liability as at 31 December	**296,858**	**296,786**

The interest expenses on the syndicated loan were calculated using the effective interest method, whereby an effective interest rate of 4.97% applied to the liability component.

On 17 November 2005, a syndicated credit facility totalling € 700 million was agreed for a period of 5 years. The facility was renegiotiated on 17 May 2007 to take advantage of the attractive conditions (including lower interest rates) on the syndicated market at that time and to capitalise on the group's strongly improved balance sheet position. The repayment terms were also renegotiated (see below). The facility comprises three different tranches:

- Tranche A: a € 300 million term loan, of which € 18.75 million is payable on a semi-annual basis from 17 May 2009 (was May 2007) and the remainder (€ 150 million + € 18.75 million) on 17 November 2012 (was November 2010). This term loan has been taken up in full;
- Tranche B: a € 215 million revolving credit facility, of which € 44 million had been taken up

as a loan at end-2007 (2006: nil). Furthermore, the € 100 million of this credit facility that has been reserved as a backstop facility for the commercial paper programme (see 26) was not taken up at end-2006 or end-2007;

- Tranche C: € 185 million ancillary facilities available in the form of short-term credits and bank guarantees from the syndicate banks. This loan is subject to covenant agreements with the banks under which the Senior Leverage ratio (3.1.3) is not permitted to exceed 2.5 and a maximum annual value has been set for acquisitions for the entire duration of the loan. The group fulfilled these conditions in both 2007 and 2006.

Interest expenses and commitment fee
Interest expenses on that portion of the syndicated credit facility drawn on are calculated using the one-month to six-month EURIBOR rate (depending on the interest period selected), increased by an interest margin. In 2007 this interest margin dropped from 85 basis points to 45 basis points. The average interest rate in 2007 for tranche A and tranche B equalled 4.62% (2006: 3.85%). In 2007, a sum of € 367 (2006: € 612) was paid in commitment fees and charged to the result as a financial expense.

23.2 SUBORDINATED CONVERTIBLE BOND

	2007	2006
Carrying amount as at 1 January	93,682	90,776
Conversion	-1	–
Interest expenses	6,559	6,356
Interest paid	-3,450	-3,450
Carrying amount as at 31 December	**96,790**	**93,682**

On 28 September 2005 the group issued a 7-year, subordinated convertible bond worth € 115 million. The bond can be redeemed with 5 years, if the share price exceeds 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. In 2007, one (2006: zero) bond was offered for conversion. The coupon rate equals 3.0% and is payable annually at 18 October.
From 2007 (including comparative figures for 2006) the subordinated convertible bond will be recognised as a non-current debt. This change in accounting practice is due to the fact that the group is neither obliged nor entitled to early redemption of the loan. The new method of presentation provides a clearer insight into the group's solvency and liquidity. The change in accounting practice has no consequences for either result or equity in 2007 or previous years. Interest expenses on the subordinated convertible bond are calculated using the effective interest method, whereby an effective interest rate of 7.0% applies to the liability component.

23.3 OTHER CREDIT FACILITIES

The credit facilities listed below do not come under syndicated credit:

- Subordinated loan 'Start'

In March 2003 a subordinated loan of € 100 million was agreed with the former shareholder of Start Holding BV (subsidiary). The loan is repayable in eight annual instalments of € 12.5 million. The first instalment fell due on 5 March 2006 and the last falls due on 5 March 2013. This term loan has a fixed interest rate of 4%;

- Securitisation programme of Start People N.V. (subsidiary)

On 17 December 2002 a securitisation programme for the receivables of Start People N.V. was agreed with ING Belgium. The extension option included in the five-year programme was used to extend the programme by 364 days. An interest rate based on one-month EURIBOR applies to this securitisation programme. Of the € 50 million of available financing € 45.6 million had been taken up at end-2007 (2006: € 49 million). Trade receivables with a value of € 60.6 million have been sold under the securitisation programme.

23.4 FINANCIAL LEASE COMMITMENTS

The financial lease commitments fall due as follows:

	2007			2006		
	Payments	Interest	Principal	Payments	Interest	Principal
2-5 years	24	2	22	–	–	–
1-2 years	813	44	769	152	7	145
Within 1 year	1,068	71	997	761	37	724
	1,905	**117**	**1,788**	**913**	**44**	**869**

No conditional lease payments are due under the terms of the lease contracts. In 2007, the interest rate applicable to financial lease commitments was 6.5% (2006: 5.1%).
Interest expenses on the financial lease commitments are calculated using the effective interest method, whereby an effective interest rate of 5.0% applies to the liability component.

24 PENSION-RELATED RECEIVABLES AND PROVISIONS

The group contributes to a number of defined benefit pension schemes which provide for pensions for employees when they reach retirement age. These schemes apply to portion of the workforce in the Netherlands. Other countries where the group operates have defined contribution schemes and/or retirement provisions that comply with the national regulations and customs in those countries.
The determination of costs for the year takes into account the nature of the scheme, which provides for indexation of pension entitlements insofar as the separate pension trusts' investment proceeds exceed the actuarially required interest and insofar as surplus interest is available.

	2007	2006
Pension-related provisions		
Present value of fully financed liabilities	4,353	4,732
Fair value of fund investments	2,840	3,610
Net liability	**1,513**	**1,122**

The pension liability relates to the settlement of the early-retirement scheme liability for employees of Start Netherlands with Stichting Prestart.

	2007	2006
Receivables arising from pension schemes		
The amounts presented in the balance sheet can be broken down as follows:		
Present value of fully financed liabilities	80,552	77,309
Fair value of fund investments	83,554	89,115
Net liability	**3,002**	**11,806**
Unrealised actuarial gains and losses	1,990	-1,242
Subtotal	**4,992**	**10,564**

The pension receivable of € 4,992 at end-2007 (2006: € 10,564) which has been recognised under Other fixed assets relates to the surplus of the pension schemes of Start Netherlands and Call It.

24.1 MOVEMENTS IN PENSION LIABILITIES AND INVESTMENTS

	2007	2006
Liabilities		
Pension scheme balance as at 1 January	77,309	82,788
First pay-out (Call It)	2,861	–
Current service costs	2,884	3,478
Interest costs	3,440	3,289
Plan members' contribution	–	95
Actuarial gains and losses	-4,085	-10,199
Benefits paid	-1,669	-1,135
Expenses paid	-188	-1,007
Balance as at 31 December	**80,552**	**77,309**
Plan assets		
Balance as at 1 January	89,115	87,311
First pay-out (Call It)	2,811	–
Expected return on plan assets	3,907	3,487
Actuarial gains and losses	-10,573	-1,173
Employer's contribution	–	1,537
Members' contribution	151	95
Benefits paid	-1,669	-1,135
Expenses paid	-188	-1,007
Balance as at 31 December	**83,554**	**89,115**

24.2 EXPENSES AS RECOGNISED IN THE INCOME STATEMENT

	2007	2006
Current service costs	2,884	3,478
Interest costs	3,440	3,289
Expected return on plan assets	-3,907	-3,487
Total, recognised under employee costs	**2,417**	**3,280**

24.3 PRINCIPAL ACTUARIAL ASSUMPTIONS

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

	2007	2006
Discount rate at 31 December	5.40%	4.50%
Expected long term rate of return on assets at 31 December	5.00%	4.25%
Future salary increases	3.00%	3.00%
Future pension increases	0.50%	0.00%
Future inflation	2.00%	2.00%

Calculations of the mortality rate at year-end 2007 are based on GBM/V 2000-2005 (-2/-1); in 2006 GBM/V 1995-2000 (-2/-1) was used.

In the Netherlands the assumptions concerning the expected return on investments are based on the spread of investments as set out in the contract with Nationale Nederlanden. At end-2007, the actual spread of investments compared to the spread set out in the contract was as follows:

	Planned spread	Actual spread at 31 Dec 2007
Equities	20%	21.7%
Bonds	80%	78.1%
Other	0%	0.2%
Total	**100%**	**100%**

25 OTHER PROVISIONS

	Restructuring provisions	Personnel-related provisions	Other provisions	Total
Balance as at 1 January 2006	28,104	1,064	4,537	33,705
Acquisition of subsidiaries				
Provisions made during the year	1,466	2,400	8,397	12,263
Provisions used during the year	-11,233	-374	-1,964	-13,571
Provisions reversed during the year	-4,421	–	-1,773	-6,194
Currency translation differences	–	–	3	3
Balance as 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 as at 31 December 2006	**13,916**	**3,090**	**9,200**	**26,206**
Balance as at 1 January 2007	13,916	3,090	9,200	26,206
Acquisition of subsidiaries	–	–	21	21
Provisions made during the year	1,814	4,167	2,264	8,245
Provisions used during the year	-7,268	-1,631	-2,312	-11,211
Provisions reversed during the year	-2,535	-799	-2,891	-6,225
Currency translation differences	–	–	5	5
Balance as at 31 December 2007	**5,927**	**4,827**	**6,287**	**17,041**
Non-current	2,282	2,028	3,186	7,496
Current	3,645	2,799	3,101	9,545
Balance as at 31 December 2007	**5,927**	**4,827**	**6,287**	**17,041**

In 2005, restructuring provisions were made for the costs connected with merging the Shared Service Centers in countries where both former USG companies and former Solvus companies are present. The non-current portion of the remaining restructuring provision primarily concerns lease commitments on buildings that are no longer in use following the aforementioned restructuring (including a portion arising from the merger of USG and Start). During 2006 and 2007, part of the restructuring provision was reversed as less of the provision was required for employee severance arrangements and following a reassessment of the prospects for letting vacant premises.
The personnel-related provisions include continuation of wage payment during extended periods of sickness and payments upon termination of service for reasons other than retirement. The provisions were determined on the basis of expectations concerning the recovery of sick employees, staff turnover, likely wage increases and a discount rate of 4.5%.
The other provisions include provisions for the settlement of a number of legal proceedings.

26 BANK OVERDRAFTS AND BORROWINGS

	2007	2006
Commercial paper programmes	47,334	90,415
Securitisation programme	45,558	–
Current component of non-current borrowings	15,564	100,897
Syndicated loan, tranche B	44,000	–
Bank overdrafts	11,604	27,027
Other	–	1,303
	164,060	**219,642**

USG People International N.V. has commercial paper programmes with various banks with a total value of € 100 million. A sum of € 100 million from tranche B of the syndicated loan is reserved as a back stop to cover these programmes. Financing expenses are based on short-term EURIBOR.

27 TRADE AND OTHER PAYABLES

	2007	2006
Trade payables	49,400	55,472
Other payables	459,670	459,232
Accrued liabilities	46,563	55,386
	555,633	**570,090**

28 INTEREST-RATE RISK

The group has a wide range of interest-rate sensitive borrowings at its disposal to manage the liquidity and cash requirements of its day-to-day operations. As the derivatives do not qualify for hedge accounting under IAS39, the effectiveness or otherwise of hedging does not apply. Derivatives are only agreed with financial institutions rated no lower than 'A' (S&P or Moody's). The interest rate risks are managed as follows:

28.1 INTEREST-RATE DERIVATIVE RELATIVE TO TRANCHE A OF THE SYNDICATED LOAN

In light of the rising EURIBOR rate at the end of 2007, the interest-rate hedge cap was sold for € 7.4 million while at the same time 50% of the digital floor was acquired for a sum of € 2.6 million, resulting in a net gain of € 4.8 million. The remaining digital floor at end-2007 equalled a negative € 2.4 million. No margin needs to be maintained for this negative value.
With the above objective in mind, the group subscribed to a zero-cost conditional cap on € 300 million for a period of five years to hedge the interest-rate risk on tranche A of the syndicated loan.
As soon as the 6-month EURIBOR rose above the 3% cap during the first 3 years, and above 3.35% during years 4 and 5, the banks repaid the group the difference between the 6-month EURIBOR and the 3% and 3.35% respectively. The notional amount on which this hedge was calculated followed the same repayment plan as tranche A of the syndicated loan prior to its renegotiation.

No premium was paid for this interest-rate hedge (compared to a normal annual premium of 0.22%), as an additional interest margin of 1.09% was payable if the difference between the 10-year EURIBOR swap rate and the two-year EURIBOR swap rate (digital floor) at the due date at the end of each six-month period was less than 0.50%. In that case, additional interest of 1.09% over the past six months would be payable by the group. As a result, in this worst-case scenario the ceiling on interest expense (excluding margin) would be no more than 4.09% (excluding margin) during the first three years, and no more than 4.44% (excluding margin) in the two subsequent years. Taking account of interest rates on the money and capital markets at 31 December 2006, this interest hedge represented a negative (mark to market) value of € 192.

28.2 OTHER INTEREST-RATE DERIVATIVES

- In 2004 complementary interest-rate 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-rate hedging instrument which expired at the end of 2005. No premium was payable on this interest-rate hedge.
The group received an interest-rate payment of 6-month EURIBOR (this equalled 3.85% at end-2006) and paid 6-month EURIBOR 'in arrears'. The cap on the 6-month EURIBOR was 3.49% and the knock-out was 4.5%. If the 6-month EURIBOR 'in arrears' was less than 3.49% or greater than 4.5%, the group paid the market interest rate. Otherwise the group paid the 3.49% cap. This interest rate swap was wound up at 31 December 2007. At end-2006 this interest-rate swap represented an unrealised (mark to market) value of € 238.
- In 2006 a € 2 million notional interest-rate swap (type: Convertible swap) was concluded that matures on 30 May 2008. If the 3-month EURIBOR is lower than 4.5% in any year, then 3.45% is payable on the notional amount. If the 3-month EURIBOR is higher than 4.5% in any year, then the 3-month EURIBOR less 0.1% per year is payable. The bank, however, paid the 3-month EURIBOR. At 31 December 2006 this interest-rate swap represented a negative unrealised (mark to market) value of € 74. This interest-rate hedge was wound up early during 2007.

29 CONTINGENT ASSETS AND LIABILITIES

29.1 CONTINGENT ASSETS

USG People N.V. is a party to an earn-out agreement connected with the divestment of Luzac in April 2006. USG People N.V. is entitled to a maximum of € 2 million if Luzac's results reach a certain level in 2009. No amounts have been recognised in the financial statements in connection with this, given that the amount of the earn-out is contingent upon Luzac's results in 2009.

29.2 CONTINGENT LIABILITIES, OPERATING LEASE

Third-party property rental commitments and lease and other liabilities totalled around € 257.7 million for the year (2006: € 226.7 million). A breakdown of these liabilities according to maturity is as follows:

	2007	2006
Less than one year	64,056	57,038
1-5 years	135,162	113,495
More than 5 years	58,525	56,148
	257,743	**226,681**

The group leases a number of offices under an operating lease construction. The maturity of these contracts ranges from three to 12 years, with an option to renew at the end of that period.

29.3 OTHER CONTINGENT LIABILITIES

- In connection with the nature of the group's activities, bank guarantees for a total amount of € 76,977 (2006: € 69,054) have been issued.

30 RELATED PARTIES

30.1 REMUNERATION OF KEY MANAGEMENT

	2007	2006
Salaries and other short-term staff remuneration	4,603	4,723
Pensions	336	463
Share-based remuneration	3,098	3,533
Remuneration of Supervisory Board	219	203
	8,256	**8,922**

Share-based remuneration relates to the portion of Unique Share Plan costs allocated.

31 EVENTS AFTER THE BALANCE SHEET DATE

In February 2008 the group acquired Allgeier DL GmbH (the temporary employment business of Allgeier AG) in Germany for around € 175 million. The acquisition is subject to approval by the German antitrust authorities. The acquired operations generate annual revenue of around € 200 million. Due to the short period of time between the acquisition date and the preparation of these financial statements, purchase price allocation could not be carried out and completed in time to be included in this report. Figures pertaining to the acquisition will be recognised in the 2008 financial statements.

32 PRINCIPAL SUBSIDIARIES AND SHAREHOLDINGS OF USG PEOPLE N.V.

Company	Stake owned	Town, Country
Call IT	100.00	Ostende, Belgium
Express Medical	100.00	Braine l'Alleud, Belgium
Receptel	100.00	Antwerp, Belgium
Secretary Plus Management Support	100.00	Antwerp, Belgium
Start People	100.00	Antwerp, Belgium
Unique	100.00	Antwerp, Belgium
USG Innotiv	100.00	Antwerp, Belgium
USG People International	100.00	Antwerp, Belgium
Creyf's	100.00	Munich, Germany
Geko Zeitarbeit	100.00	Dortmund, Germany
Secretary Plus	100.00	Munich, Germany
Unique Personal	100.00	Munich, Germany
Multi Compta	100.00	Paris, France
Secretary Plus	100.00	Paris, France
Start People France	100.00	Boulogne Billancourt, France
USG Innotiv	100.00	Paris, France
Start People	100.00	Milan, Italy

Company	Stake owned	Town, Country
Start People	100.00	Luxemburg, Luxemburg
Ad Rem Young Professionals	100.00	Almere, Netherlands
Call IT	100.00	Weert, Netherlands
Content	100.00	Almere, Netherlands
Creyf's Interim	100.00	Almere, Netherlands
Secretary Plus Management Support	100.00	Almere, Netherlands
StarJob	100.00	Almere, Netherlands
Start People	100.00	Almere, Netherlands
Technicum Uitzendburo	100.00	Almere, Netherlands
Unique Netherlands	100.00	Almere, Netherlands
USG Capacity	100.00	Almere, Netherlands
USG Energy	100.00	Beverwijk, Netherlands
USG Innotiv	100.00	Almere, Netherlands
USG Restart	100.00	Almere, Netherlands
Utrechtse Juristen Groep	100.00	Utrecht, Netherlands
Start People	100.00	Vienna, Austria
Start People	100.00	Warsaw, Poland
Start Empresa	100.00	Lisbon, Portugal
Start People	100.00	Madrid, Spain
Unique	100.00	Madrid, Spain
Start People	100.00	Bratislava, Slovakia
Start People	100.00	Prague, Czech Republic
Start People	100.00	Geneva, Switzerland

33 CORPORATE FINANCIAL STATEMENTS

33.1 CORPORATE INCOME STATEMENT

	2007	2006
Net income of subsidiaries	192,974	114,802
Income from disposal of subsidiaries	247	17,847
Net income of USG People N.V.	-53,210	-21,796
Net income	**140,011**	**110,853**

33.2 CORPORATE BALANCE SHEET AT 31 DECEMBER (BEFORE PROFIT APPROPRIATION)

Note		2007	2006
	Non-current assets		
33.6	Property, plant and equipment	82	–
33.7	Goodwill	736,467	717,510
33.8	Intangible assets	2,128	–
33.9	Financial fixed assets	439,117	381,696
		1,177,794	**1,099,206**
	Current assets		
	Receivables	62,959	646
	Taxes	21,103	19,797
	Cash and cash equivalents	–	1
		84,062	**20,444**
	Total assets	**1,261,856**	**1,119,650**
33.10	Shareholders' equity		
	Paid-up and called-up capital	31,841	31,559
	Share premium	289,254	289,021
	Other reserves	223,578	142,987
	Net income for the financial year	140,011	110,853
		684,684	**574,420**
33.12	Non-current liabilities	456,148	335,270
33.13	Provisions	7,071	7,333
33.14	Current liabilities	113,953	202,627
	Total liabilities	**1,261,856**	**1,119,650**

33.3 NOTES TO THE CORPORATE INCOME STATEMENT AND BALANCE SHEET

33.4 PRINCIPLES FOR PREPARING THE CORPORATE FINANCIAL STATEMENTS

The corporate financial statements of USG People N.V. are prepared in accordance with the legal regulations of Part 9, Book 2 of the Dutch Civil Code. In this context the group makes use of the option provided under article 2:362 section 8 of the Dutch Civil Code to apply the same principles of valuation and determination of results in the corporate financial statements (including the principles of presentation for financial instruments such as equity and debt) as those applied in the consolidated financial statements.

33.5 PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

The principles of valuation and determination of results for the corporate income statement are the same as for the consolidated financial statements. Where no further principles are stated, please refer to the principles set out in the consolidated financial statements.

Goodwill

Goodwill is determined using the same principles that apply to the consolidated financial statements.
The goodwill presented in the corporate balance sheet concerns goodwill on directly acquired interests in group companies. Goodwill on directly acquired interests in group companies is capitalised at the level of the subsidiaries of USG People N.V. that acquire these interests and are included in the net asset value of these subsidiaries.
Goodwill relating to direct interests in other subsidiaries over which significant influence can be exercised is included in the value of these subsidiaries as part of the acquisition price.

Subsidiaries

Participating interests in group companies and other companies in which USG People N.V. holds a controlling stake or over which it has central management control are recognised at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the result using the principles that apply to the consolidated financial statements.

33.6 PROPERTY, PLANT AND EQUIPMENT

	2007	2006
Balance as at 1 January		
Acquisition price	41	41
Cumulative depreciation and impairment	41	25
Carrying amount as at 1 January	**–**	**16**
Investments during the year	87	–
Depreciation during the year	5	16
Carrying amount as at 31 December	**82**	**–**
Breakdown of carrying amount:		
Acquisition price	128	41
Cumulative depreciation and impairment	46	41
Carrying amount as at 31 December	**82**	**–**

33.7 GOODWILL

	2007	2006
Balance as at 1 January	717,510	697,079
Movement due to acquisition of subsidiary	2,943	30,331
Movement due to disposal of subsidiaries	-2,211	–
Subsequent payment commitments relating to previous acquisitions	705	–
Impairment	-1,170	-9,900
Decline in goodwill relating to recognition of previously unrecognised losses of acquired subsidiaries carried forward	-2,452	–
Reclassification	21,142	–
Balance as at 31 December	**736,467**	**717,510**
Acquisition price	737,637	717,510
Impairment	-1,170	–
Balance as at 31 December	**736,467**	**717,510**

33.8 INTANGIBLE ASSETS

	2007	2006
Balance as at 1 January	–	–
Investments during the year	2,621	–
Amortisation during the year	493	–
Carrying amount as at 31 December	**2,128**	**–**
Breakdown of carrying amount:		
Acquisition price	2,621	–
Cumulative amortisation and impairment	493	–
Carrying amount as at 31 December	**2,128**	**–**

33.9 FINANCIAL FIXED ASSETS

	Receivables from group companies	Participating interests in group companies	Total
Balance as at 1 January 2006	93,478	184,924	278,402
Investments	–	2,968	2,968
Divestments	-10,896	-3,580	-14,476
Result of subsidiaries	–	114,802	114,802
	-10,896	**114,190**	**103,294**
Balance as at 31 December 2006	82,582	299,114	381,696
Transfer to current receivables	-16,064	–	-16,064
Balance as at 1 January 2007	**66,518**	**299,114**	**365,632**
Investments	–	33,727	33,727
Reclassification		-21,142	-21,142
Other corrections on previous years	–	-281	-281
Result of subsidiaries	–	192,974	192,974
Divestments	–	-847	-847
Winding up of subsidiaries	–	367	367
Dividends from subsidiaries	–	-114,380	-114,380
Repayments on borrowings	-17,000	–	-17,000
Currency translation differences	–	67	67
	-17,000	**90,485**	**73,485**
Balance as at 31 December 2007	**49,518**	**389,599**	**439,117**

33.10 CURRENT RECEIVABLES

	2007	2006
Group receivables	62,704	–
Other receivables	255	646
	62,959	**646**

33.11 EQUITY

Paid-up and called-up capital
The authorised capital at both 31 December 2007 and 31 December 2006 stood at € 96 million, divided into 192,000,000 ordinary shares with a nominal value of € 0.50 each.

	Paid-up and called-up capital	Share premium reserve	Currency translation reserve	Other reserves	Resultfor the year	Total
Balance as 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
Income added to other reserves	–	–	–	8,475	-8,475	–
Dividend distribution	–	–	–	–	-12,602	-12,602
Equity component of convertible bond	–	–	–	874	–	874
Currency translation differences	–	–	-21	–	–	-21
Share plan	–	–	–	2,278	–	2,278
Balance as at 31 December 2006	**31,559**	**289,021**	**-21**	**143,008**	**110,853**	**574,420**
Balance as at 1 January 2007	31,559	289,021	-21	143,008	110,853	574,420
Income for the year	–	–	–	–	140,011	140,011
Employee option rights exercised	41	473	–	–	–	514
Income added to other reserves	–	–	–	81,683	-81,683	–
Dividend distribution	241	-241	–	–	-29,170	-29,170
Conversion of convertible bond	–	1	–	–	–	1
Currency translation differences	–	–	-81	–	–	-81
Repurchase of shares	–	–	–	-4,826	–	-4,826
Share plan	–	–	–	3,815	–	3,815
Balance as at 31 December 2007	**31,841**	**289,254**	**-102**	**223,680**	**140,011**	**684,684**

33.12 NON-CURRENT LIABILITIES

	2007	2006
Value of non-current interest-bearing borrowings and liabilities	468,648	477,968
Current portion of non-current borrowings	-12,500	-142,698
	456,148	**335,270**

	Total	Within 1 year	1-2 years	2-5 years	More than 5 years
Subordinated convertible bond	96,790	–	–	96,790	–
Start subordinated loan	75,000	12,500	12,500	37,500	12,500
Syndicated loan, tranche A	296,858	–	36,043	260,815	–
	468,648	**12,500**	**48,543**	**395,105**	**12,500**

33.13 PROVISIONS

	2007	2006
Deferred income tax liabilities	6,069	6,255
Personnel-related and other provisions	1,002	1,078
	7,071	**7,333**

The other provisions of € 1,002 (2006: € 1,078) were taken to cover long-service awards, continuation of wage payment during extended period of sickness and legal claims.

33.14 CURRENT LIABILITIES

	2007	2006
Bank overdrafts and borrowings	44,000	–
Current part of borrowings	12,500	142,698
Trade and other payables	11,968	11,011
Debts to group companies	43,070	48,727
Interest-rate derivatives	2,415	191
	113,953	**202,627**

33.15 EMPLOYEES

At end-2007 USG People N.V. employed 49 (2006: 48) people, all in the Netherlands.

33.16 LIABILITY

The Company and most of its Dutch operating companies together form a fiscal unity for corporation tax purposes. Each of the operating companies is jointly and severally liable for income tax payable by all companies belonging to the fiscal unity.

33.17 REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Remuneration of members of the Company's Executive Board is as follows:

	Fixed salary component	Pension contri-bution	Variable cash component	Total
R. Icke				
2007	650	97	405	1,152
2006	650	97	371	1,118
R. Zandbergen				
2007	455	68	405	928
2006	455	68	371	894
A. Dehaze				
2006	520	78	371	969

33.17.1 REMUNERATION POLICY

The USG People remuneration policy for members of the Executive Board was proposed by the Supervisory Board and adopted by the General Meeting of Shareholders on 9 May 2006. The authority to determine the level of remuneration and other terms of employment lies with Supervisory Board, with due observance of the aforementioned policy.
The remuneration of Executive Board members comprises a fixed and a variable component. The fixed component is assessed and established for longer periods, taking into account the level of experience and responsibility of the board members concerned. The variable component consists of a bonus worth a maximum of 0.2 per cent of the EBITA of USG People N.V. Half of this 0.2 per cent is conditional upon the company meeting the EBITA and revenue growth targets set in the budget. The other half is calculated based on actual EBITA. Short-term bonus payments may be cut if the target set for DSO (days sales outstanding) is missed.

In addition to the aforementioned short-term variable remuneration, Executive Board members have been granted a long-term variable bonus incentive (Unique Share Plan). This bonus is payable in USG People shares and is conditional upon certain targets for revenue growth and other results being met in 2008. In addition, the number of shares allocated to Executive Board members will be increased by 25% in 2011 on condition they retain the shares allocated to them in 2008 until 2011 and provided they are still employed by USG People N.V. at that time (see 33.17.3).
The contracts of Executive Board members stipulate a six-month notice period. The maximum payment upon termination of a board member's employment contract has been set at one year's salary, calculated on the fixed salary component. In the event of dismissal during the first term of office whereby payment of one year's salary is clearly unreasonable, the member concerned is entitled to severance payment amounting to no more than two years' salary.

33.17.2 OPTION RIGHTS

The following table gives details of option rights granted to members of the Executive Board and Supervisory Board:

	Year	Balance as at 1 Jan 2007	Exercised in 2007	Balance as at 31 Dec 2007	Exercise price	Expiry date
A.D. Mulder	2004	20,000	–	20,000	5.63	10-5-2009
R. Icke	2004	20,000	–	20,000	5.63	10-5-2009

No new option rights were granted in 2007.

33.17.3 SHARE PLAN

In 2006 a total of 104,000 shares were conditionally granted to Executive Board members. The related costs were included in the variable component of remuneration for the period 2005-2007. The shares were granted on condition that certain targets for revenue growth and results were met. The calculation of the costs of the share plan in 2006 is based on a share price of € 35.50 (post stock split).

Costs of share plan

	Number of shares	2007	2006
R. Icke	60,000	1,153	1,629
R. Zandbergen	36,000	692	977
A. Dehaze	8,000	–	380

33.17.4 SUPERVISORY BOARD

Remuneration of members of the Supervisory Board is as follows:

	2007	2006
C.J. Brakel	55	55
C. Dumolin	42	28
J.H. van Heijningen Nanninga	42	42
M.E. van Lier Lels	40	40
A.D. Mulder	40	23
B. de Vries	–	15
	219	**203**

No option rights are granted to Supervisory Board members and no operating assets are made available to them.
No loans have been granted to Supervisory Board members, nor have any guarantee commitments been made for the benefit of Supervisory Board members.

34 OTHER INFORMATION

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

34.1 AUDITOR'S REPORT

Report on the financial statements
We have audited the accompanying financial statements 2007 of USG People N.V., Almere as set out on pages 95 to 155. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended 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 from 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 2007, and of its result and its cash flows for the year then ended 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 2007, and of its result for the year then ended 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 2008

PricewaterhouseCoopers Accountants N.V.

R.A.J. Swaak RA

34.2 PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING PROFIT APPROPRIATION

Article 29. Profit and loss
29.1 The Executive Board shall determine the amounts to be reserved out of the profit made in the most recent financial year, subject to approval by the Supervisory Board.
29.2 The profit then remaining shall be at the disposal of the General Meeting of Shareholders.
29.3 The Company may only decide in favour of distributions against reserves which are not required to be held by law if the Executive Board so proposes and subject to approval by the Supervisory Board.
29.4 Distributions on shares may not exceed the total sum of distributable shareholders' equity.
Article 30. Dividends and other distributions
30.1 Dividends and other distributions are made payable within four weeks of being declared, unless the General Meeting of Shareholders decides on a different date at the proposal of the Executive Board.
30.2 A shareholder's entitlement to distribution shall expire after a period of five years.
30.3 Subject to approval by the Supervisory Board, the Executive Board is authorised to distribute an interim distribution, with due consideration of the provisions in article 2:105 of the Dutch Civil Code.
30.4 At the proposal of the Executive Board and subject to approval by the Supervisory Board, the General Meeting of Shareholders may decide in favour of distribution wholly or partly in the form of shares in the Company's capital.
30.5 A deficit may only be offset against legally required reserves insofar as such is permitted by law.

34.3 PROFIT APPROPRIATION

Out of the 2007 net income of € 140,011 the Executive Board proposes to distribute a dividend of € 0.81 per ordinary share in cash or stock. Given a total of 63,679,719 shares, this means that a sum of € 51,581 will be distributed as dividend, with the remaining € 88,430 to be added to other reserves.

35 TEN-YEAR OVERVIEW

	2007 [1]	2006 [1]	2005 [1]
Consolidated income statement			
Net revenue	3,887,681	3,536,836	1,977,609
Percentage growth compared to previous year	9.9%	78.8%	52.1%
Operating income	243,859	194,206	64,185
Percentage growth compared to previous year	25.6%	202.6%	74.1%
As a percentage of net revenue	6.3%	5.5%	3.2%
Net income from ordinary operations after tax	140,011	110,853	21,077
Net income	140,011	110,853	21,077
Percentage growth compared to previous year	26.3%	425.9%	-12.9%
As a percentage of net revenue	3.6%	3.1%	1.1%
Operating cash flow	201,389	165,151	114,974
Dividend	51,581	45,445	12,593
Dividend/net income	36.8%	41.0%	59.7%
Consolidated balance sheet			
Non-current assets	1,086,958	1,066,482	1,099,438
Working capital (including cash and cash equivalents)	107,030	-2,729	-32,989
	1,193,988	**1,063,753**	**1,066,449**
Shareholders' equity	684,684	574,420	472,209
Minority interests	1,028	1,129	2,264
Non-current liabilities	508,276	488,204	591,976
	1,193,988	**1,063,753**	**1,066,449**
Other key figures			
Shareholders' equity / total equity plus liabilities	34.9%	30.2%	22.9%
Shareholders' equity / capital employed	50.0%	44.2%	31.1%
Current assets / current liabilities	1.14	0.90	0.97
Number of shares at 31 December (nominal value € 0.50)	63,679,719	63,117,700	62,969,532
Figures per share (with nominal value of € 0.50) in euros			
Net income [3]	2.21	1.76	0.33
Dividend	0.81	0.72	0.20
Equity	10.75	9.10	7.50
Operating cash flow [3]	3.18	2.62	2.31

1) Under IFRS
2) Under Dutch GAAP
3) From 2002 based on average number of shares outstanding

2004 1)	2004 2)	2003 2)	2002 2)	2001 2)	2000 2)	1999 2)	1998 2)
1,300,250	1,300,250	1,297,800	1,104,527	600,402	517,969	446,794	367,552
0.2%	0.2%	17.5%	84.0%	15.9%	15.9%	21.6%	29.4%
36,867	13,203	39,514	59,435	66,542	59,782	46,045	37,159
-6.7%	-66.6%	-33.5%	-10.7%	11.3%	29.8%	23.9%	41.5%
2.8%	1.0%	3.0%	5.4%	11.1%	11.5%	10.3%	10.1%
24,189	14,784	14,781	31,760	39,080	36,661	30,494	24,647
24,189	14,784	14,709	24,828	39,080	36,661	30,494	24,083
63.7%	0.5%	-40.8%	-36.5%	6.6%	20.2%	26.6%	30.4%
1.9%	1.1%	1.1%	2.2%	6.5%	7.1%	6.8%	6.6%
46,927	39,162	74,580	49,112	38,554	42,437	27,109	25,891
9,075	9,075	9,074	11,342	13,124	12,208	10,192	8,027
37.5%	61.4%	61.7%	45.7%	33.6%	33.3%	33.2%	33.3%
309,868	278,724	311,331	277,848	183,722	111,524	66,214	13,036
44,009	63,883	76,166	90,276	49,201	5,425	8,551	13,010
353,877	**342,607**	**387,497**	**368,124**	**232,923**	**116,949**	**74,765**	**26,046**
218,771	200,057	194,468	191,563	122,953	86,129	51,450	23,891
385	385	178	49,544	–	–	–	–
134,721	142,165	192,851	127,017	109,970	30,820	23,315	2,155
353,877	**342,607**	**387,497**	**368,124**	**232,923**	**116,949**	**74,765**	**26,046**
36.2%	34.4%	30.4%	30.5%	33.5%	37.9%	31.6%	23.3%
55.6%	52.0%	46.0%	45.3%	48.3%	65.0%	64.3%	78.1%
1.18	1.27	1.30	1.35	1.37	1.05	1.10	1.17
45,376,634	45,376,634	45,370,704	45,368,604	40,381,836	39,381,838	38,461,000	37,947,624
0.54	0.33	0.33	0.57	0.97	0.93	0.79	0.68
0.20	0.20	0.20	0.25	0.33	0.31	0.27	0.21
4.82	4.41	4.29	4.39	3.05	2.19	1.34	0.68
1.04	0.87	1.65	1.13	0.96	1.08	0.71	0.68

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 October 18, 2005, we report as follows.

The bonds with a nominal value of € 1,000 each are evidenced by a single global certificate in an aggregate principal amount of € 115,000,000.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at par on October 18, 2012. Until October 11, 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 2007 no bonds have been redeemed, purchased and cancelled and one bond of € 1.000 was offered for conversion. The outstanding amount of the bonds per December 31th, 2007 was € 114,999,000.

USG People N.V. is authorised to redeem the bonds in whole at their principal amount:
1. on or after October 18, 2010, provided that the closing prices of the ordinary shares USG People N.V. on Eurolist by Euronext Amsterdam on each of not less then 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 then 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, 9 January 2008

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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Design
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Printing
Giethoorn Media Groep

Photography
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With special credits to:
AMREF Flying Doctors, Artsen zonder Grenzen, Fonds Gehandicaptensport, Foundation Communicaid, Stichting Gered Gereedschap, Stichting Guadelupe and Unicef.

Text
Hans Kops
Bert Bukman
USG People N.V.

Final editing
USG People N.V.

Translation
Abacus Translation

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The USG People 2007 annual report is printed on 250 and 115 grams Heaven 42 (FSC certified).