

Hays plc

Interim Results

Six Months ended 31 December 2003



Bob Lawson

Chairman



Hays

moving forward

Group operating performance in line with expectations

£m	2003	2002
Operating profit*	89.7	94.7
Profit before tax*	87.9	88.5
Net debt	94.5	235.3
Dividend per share	1.00p	1.75p

- Dividend rebased as previously announced

* Before goodwill and exceptional items



Period of considerable delivery

- Two thirds of Group transformation successfully completed

Substantially all of former Commercial and Logistics operations disposed

£355.0m gross consideration since March 2003



Period of considerable delivery

- Two thirds of Group transformation successfully completed
- Continued gradual recovery in Personnel business

Personnel operating profit of £60.1m, an increase of 12% on a headline basis and 6% on a like-for-like basis*

* Before acquisitions and gains on foreign exchange



Period of considerable delivery

- Two thirds of Group transformation successfully completed
- Continued gradual recovery in Personnel business
- Mail generating stable profits

Operating profit of £16.3m equal to last year on turnover up 2%

New products launched successfully



Agenda

- Transformation process and review of Mail - Colin Matthews
- Financial review - John Martin
- Personnel operations - Denis Waxman
- Q&A



Colin Matthews

Chief Executive Officer



Two thirds of transformation completed

Date	Businesses disposed	Consideration *
July 03	IMS	200.0
Jun – Sept 03	BPO and others previously disclosed	29.3
Oct 03 – Mar 04	Other**	(21.0)
Feb 04	Logistics	102.4
Sep – Nov 03	Surplus properties previously disclosed	12.5
Nov – Feb 04	Further surplus properties	31.8
		<u>355.0</u>

* On a cash and debt free basis

** Sameday Courier, Field Support, US Home Delivery, German Multi-User Network, German Logistics, French and Belgian Courier



Disposal of other assets

- Estimated £100m surplus properties (per circular)
 - £31.8m achieved to date
 - Remaining properties expected to be sold by end June
- Residual businesses:
 - Mailroom services
 - Rentacrate



Mail benefiting from strong and focussed management team

£m	2003	2002
Turnover	<u>65.5</u>	<u>64.1</u>
Operating profit	<u>16.3</u>	<u>16.3</u>

- Costs of launching and marketing new mail have been absorbed



Mail will not be part of the Group long-term

- Actively reviewing options for method and timing of divestment
- Preparatory work
 - Establishing stand alone back office functions
 - Undertaking internal re-organisation
- Committed to demonstrating value of new licence until divestment



UK wide end-to-end mail delivery network

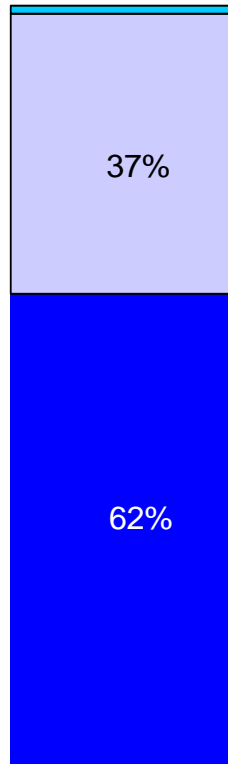
- Coverage of major business centres in the UK
- Configured for next day pre-8/9am delivery – critical for business mail
- Not dependent on downstream access to Royal Mail network – unlike new entrants
- Network offers economies of scale



Mail business segments

£65.5m

<1% New Mail



Specialist Courier

- Door-to-door delivery of mail and packets
- Typically items outside the Royal Mail reserved area (>350g or >£1)
- Focussed on high street customers such as opticians, travel agents, retail

Document Exchange

- Business mail collection and delivery between document exchange boxes
- Subscription based service with c.30,000 members

> 1m items daily

H1 03/04 Turnover



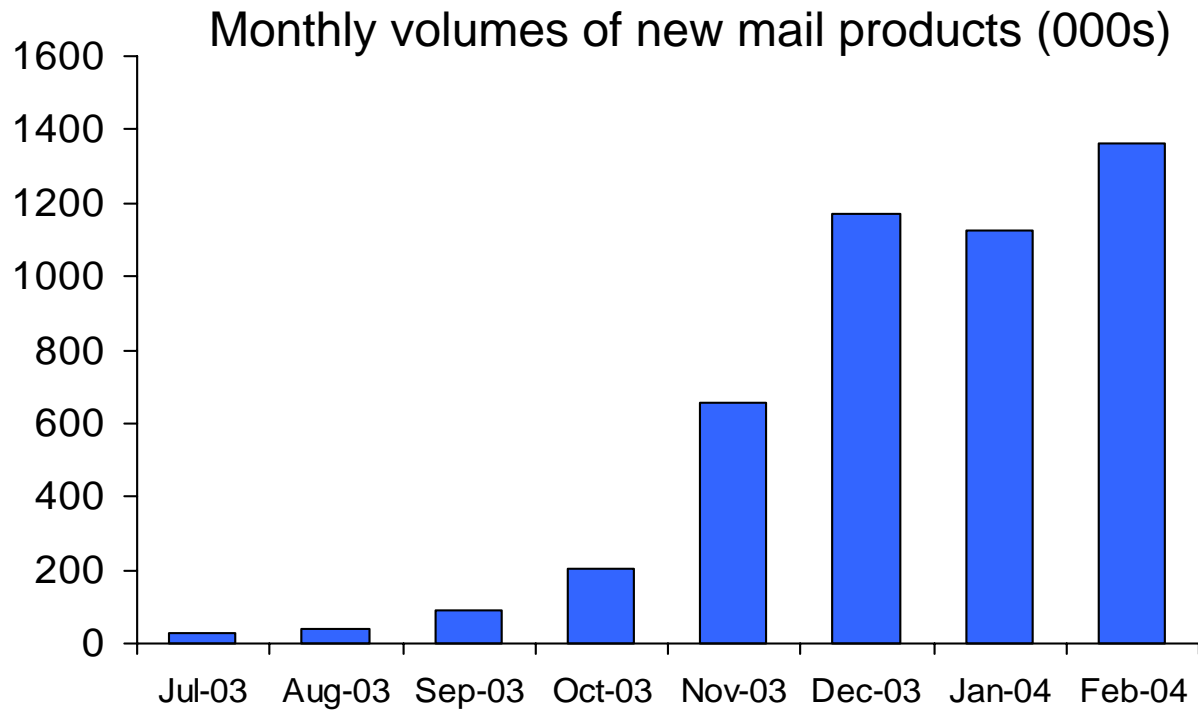
All three new business to business mail products have now been launched . . .

-
- | | |
|-----------|--|
| DX+ | <ul style="list-style-type: none">▪ Collection from document exchanges |
| June 2003 | <ul style="list-style-type: none">▪ Next-day pre-8am delivery to the door in major UK towns and cities▪ Competes with Royal Mail 1st Class |
| AssureDX | <ul style="list-style-type: none">▪ Collection from the door |
| Sept 2003 | <ul style="list-style-type: none">▪ Tracked guaranteed next-day delivery*▪ Competes with Royal Mail 1st Class |
| SigneDX | <ul style="list-style-type: none">▪ Collection from the door |
| Sept 2003 | <ul style="list-style-type: none">▪ Tracked guaranteed pre-12pm next-day delivery* with signed proof of delivery▪ Competes with Royal Mail Special Delivery |
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* To UK business addresses except Highlands and Islands



... and are showing good growth



- Only operator to have launched a new next day B2B mail product
- Royal Mail 1st class B2B mail estimated at c.£0.7bn a year



John Martin

Finance Director



Group profit and loss – segmental analysis

£m	2003	2002
Turnover		
- Personnel	623.2	502.2
- Mail	65.5	64.1
- Businesses being disposed	<u>553.0</u>	<u>622.2</u>
	1,241.7	1,188.5
Operating profit*		
- Personnel	60.1	53.6
- Mail	16.3	16.3
- Businesses being disposed	<u>13.3</u>	<u>24.8</u>
	89.7	94.7

* Before goodwill and exceptional items



Personnel - profit and loss

£m	2003	2002	Like-for-like growth *
Temporary fees	552.4	436.6	
Permanent fees	70.8	65.6	
Total gross fees	<u>623.2</u>	<u>502.2</u>	+12%
Cost of temps	(442.6)	(342.2)	
Net fees	<u>180.6</u>	<u>160.0</u>	+5%
Operating expenses	(120.5)	(106.4)	
Operating profit	60.1	53.6	+6%

* Before acquisitions and gains on foreign exchange



Personnel - temp / perm net fee analysis

£m	Temp	Perm	Total	Temp %
2002	94.4	65.6	160.0	59.0%
Growth before acquisitions	5.5	5.2	10.7	
Acquisitions	9.9	-	9.9	
2003	109.8	70.8	180.6	60.8%

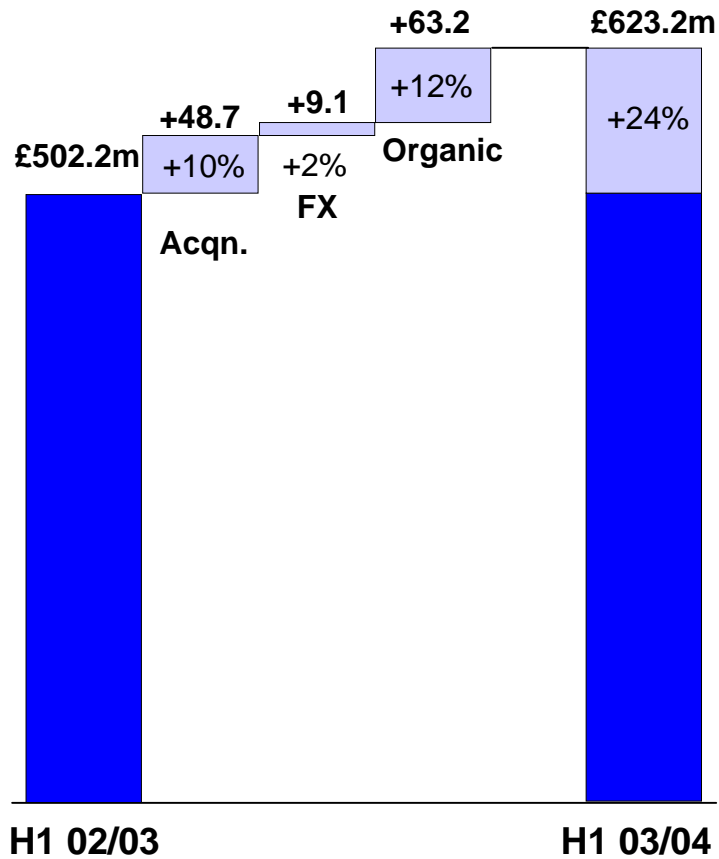
Organic growth%*	+5%	+7%	+5%
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* Before acquisitions and gains on foreign exchange

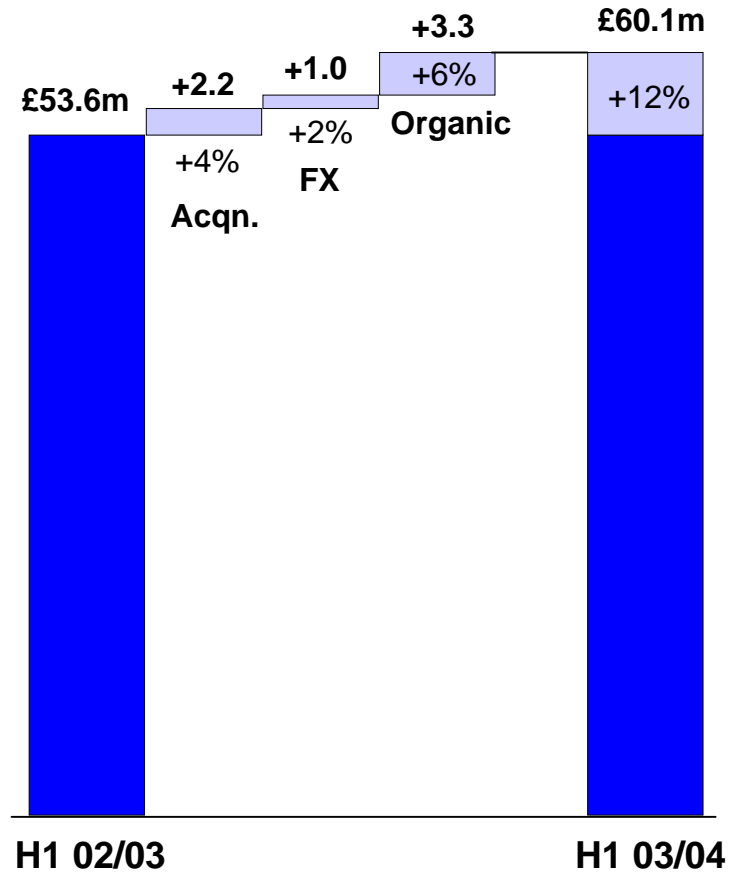


Personnel - growth

Gross Fees



Operating profit



Personnel - geographic analysis

£m		2003	2002	Impact	
				FX	acqn.
Gross fees	United Kingdom	475.5	430.0	-	-
	Australia / NZ	72.3	46.1	+ 7.8	-
	Continental Europe	75.4	26.1	+ 1.3	+ 48.7
		<u>623.2</u>	<u>502.2</u>	<u>+ 9.1</u>	<u>+ 48.7</u>
Op. profit	United Kingdom	50.7	49.0	-	-
	Australia / NZ	8.8	6.2	+ 1.1	-
	Continental Europe	0.6	(1.6)	(0.1)	+ 2.2
		<u>60.1</u>	<u>53.6</u>	<u>+ 1.0</u>	<u>+ 2.2</u>



Personnel - operating profit margin progression

	Continental Europe	Australia / NZ	United Kingdom
2002 (%)	(6.1)	13.4	11.4
Acquisitions	6.8	-	-
Recruitment management	-	(0.7)	(0.2)
Accountancy / investment	-	-	(0.3)
Specialism mix	0.1	-	(0.2)
Temp / perm mix	-	(0.5)	-
2003 (%)	0.8	12.2	10.7



Businesses being disposed

£m		2003	2002
Turnover	Discontinued	485.3	562.0
	Continuing	<u>67.7</u>	<u>60.2</u>
		553.0	622.2
Operating profit	Discontinued	16.9	32.6
	Continuing	<u>(3.6)</u>	<u>(7.8)</u>
		13.3	24.8

Estimated residual costs in the second half of £3.0m



Group profit and loss

£m	2003	2002
Turnover	<u>1,241.7</u>	<u>1,188.5</u>
Op. profit before goodwill & exceptionals	89.7	94.7
Associates	1.2	2.4
Interest	<u>(3.0)</u>	<u>(8.6)</u>
Profit before tax, goodwill & exceptionals	87.9	88.5
Goodwill amortisation	(6.6)	(12.4)
Tax on ordinary activities	(29.1)	(27.6)
Exceptional items	1.9	-
Exceptional tax charge	<u>(20.5)</u>	<u>-</u>
Profit after tax	<u>33.6</u>	<u>48.5</u>



Non-operating items

- Net gains on transactions completed in the period of £1.9m
- Exceptional tax on disposals of £20.5m, as previously disclosed
- Restructuring update:
 - No restructuring charge in the period
 - £32m of cash costs remain outstanding in respect of last year's restructuring charge
 - Up to £10m of further restructuring required, as disclosed in September



Group cash flow

£m	2003	2002
Op profit before goodwill & exceptionals	89.7	94.7
Depreciation	22.9	32.9
One-off pension funding	(51.7)	-
Change in working capital	(32.6)	9.3
Cash flow from operating activities	28.3	136.9
Net interest paid	(3.4)	(8.5)
Taxation	(9.4)	(36.1)
Net capital receipts / (investment)	18.3	(32.3)
Dividends paid	(62.2)	(54.1)
Net acquisitions and disposals	198.8	(6.4)
Exceptional finance cost	(18.0)	-
	152.4	(0.5)



Group balance sheet

£m	31 Dec 2003	Incr / (decr) since 30 June *
Goodwill	107.4	(6.2)
Tangible assets & investments	251.4	(119.7)
Stocks, debtors, creditors	(59.4)	60.8
Provisions	(128.5)	(7.2)
	<u>170.9</u>	<u>(72.3)</u>
Net debt	(94.5)	151.3
Net assets	<u>76.4</u>	<u>79.0</u>

Estimated net debt at end March 2004 £50m

* Restated to reflect adoption of UITF 38



Pensions

£m

SSAP 24

FRS 17

Deficit at 30 June 2003, net of deferred tax (40.6) (111.3)

£51.7m one-off funding in September 2003

Favourable factors

- + Frozen salaries re disposal employees
- + FTSE All share +14%; AA bond yields +0.1%

Adverse factors

- Inflation, salaries, pensions increased 0.2%



Capital structure and dividends

- Dividend
 - Interim dividend of 1.0p per share rebased for Personnel
 - Expect interim / final split to be broadly in the range 1/3 to 2/3
 - Dividend cover is expected to improve later in the cycle
- Target net debt range remains £50m to £150m
- Surplus cash will be returned to shareholders on conclusion of the transformation



Denis Waxman

Chief Executive Designate

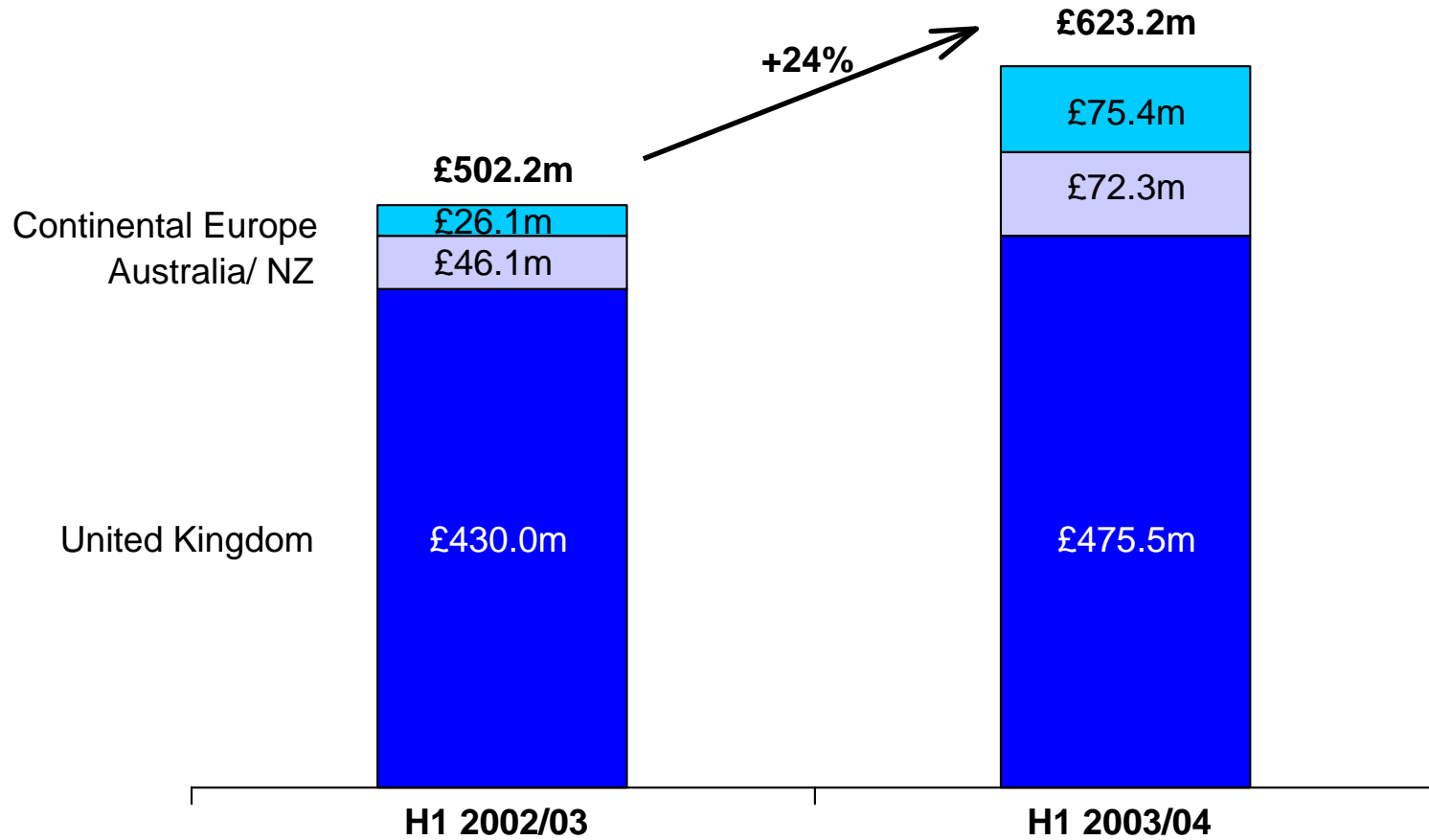


Personnel operating highlights

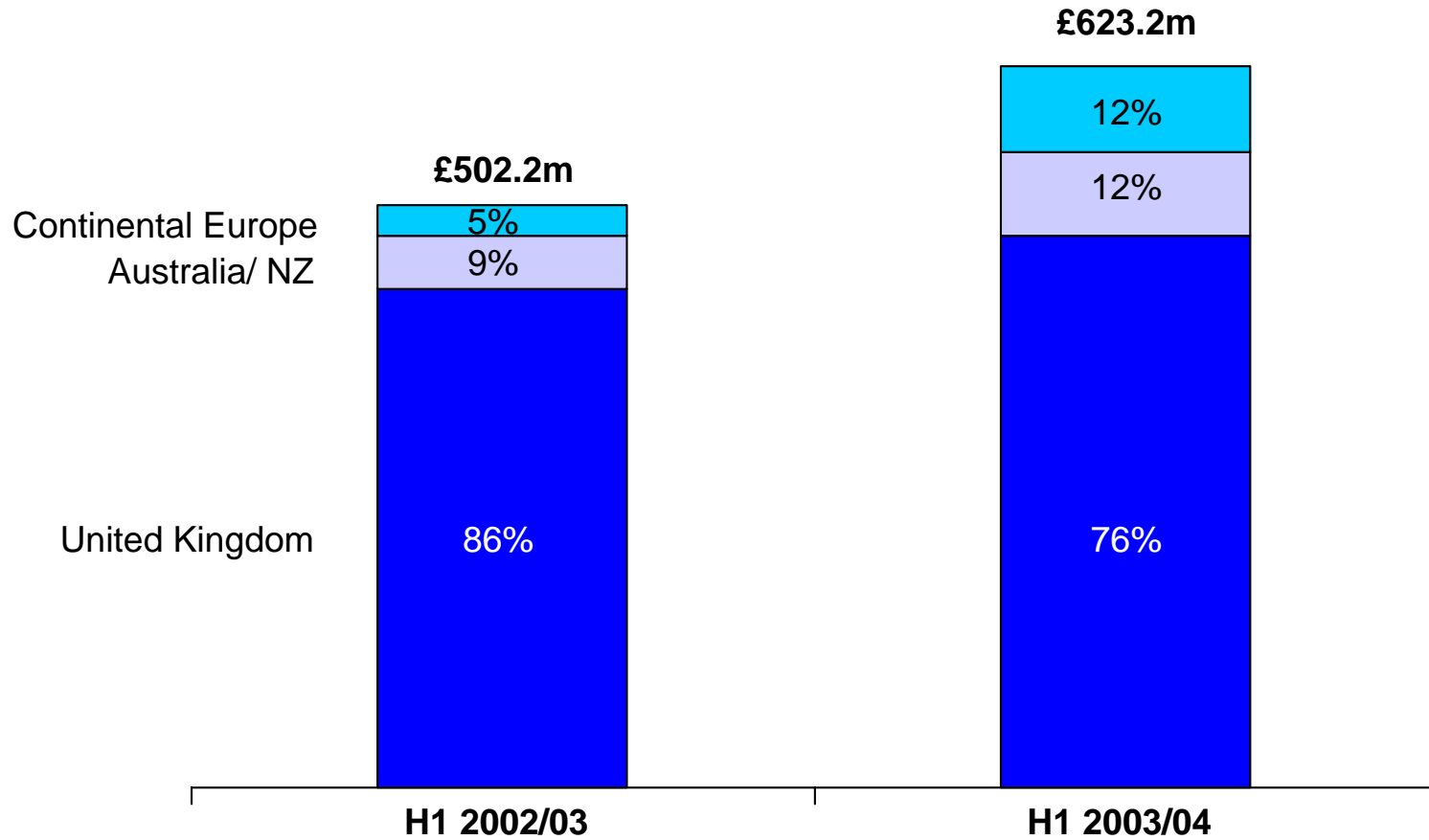
- Underlying profit growth for first time in two and a half years
- Scale of business increased in all regions
- Significant development of non-UK operations
- Continued investment for growth



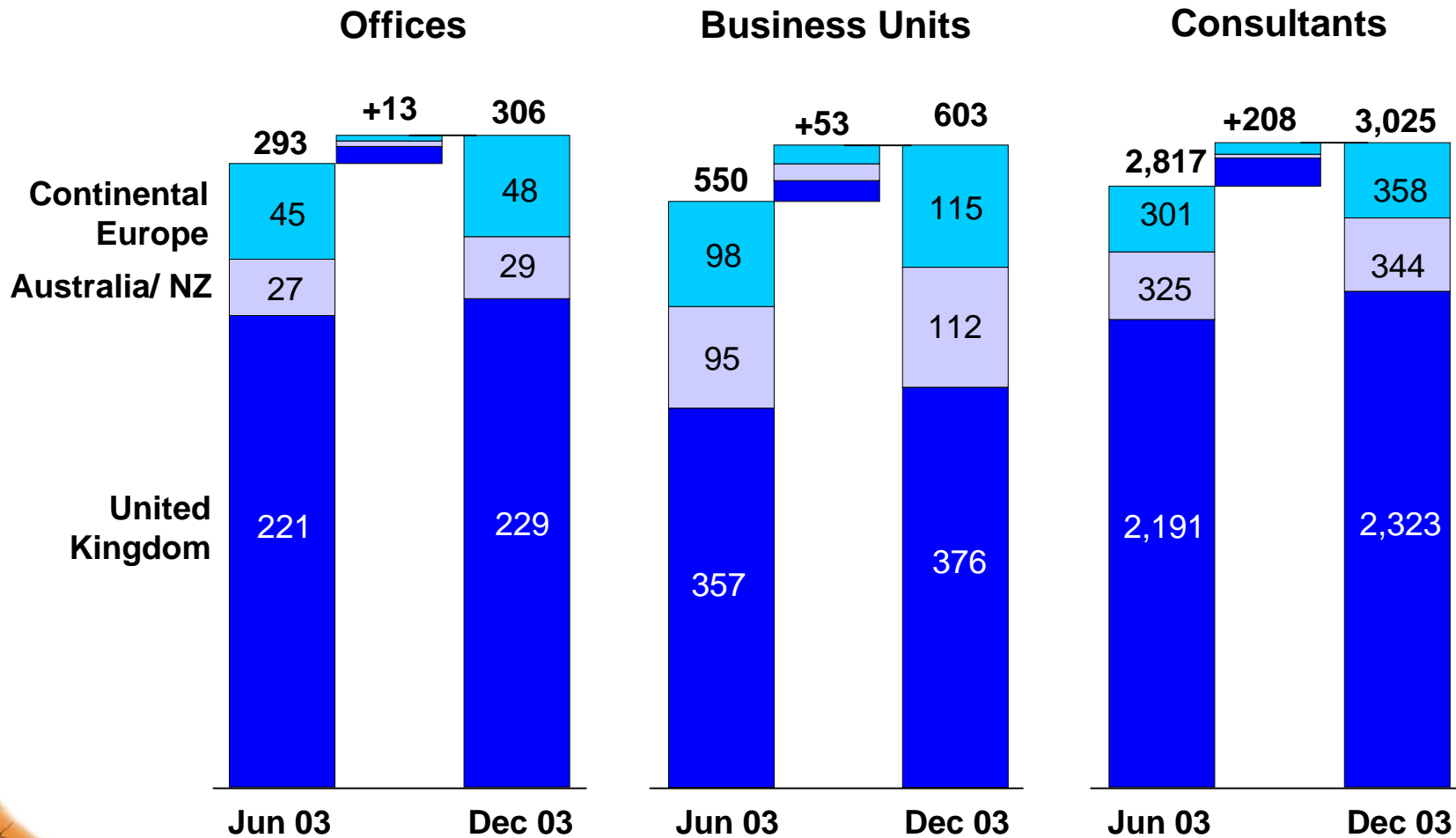
Gross fee growth



Gross fees by region



Continued investment for growth



Geographic analysis

£m		2003	2002	Like for like growth*
Gross fees	United Kingdom	475.5	430.0	11%
	Australia/ NZ	72.3	46.1	40%
	Continental Europe	75.4	26.1	(4%)
		<u>623.2</u>	<u>502.2</u>	<u>12%</u>
Op. profit	United Kingdom	50.7	49.0	3%
	Australia/ NZ	8.8	6.2	24%
	Continental Europe	0.6	(1.6)	4%
		<u>60.1</u>	<u>53.6</u>	<u>6%</u>

* Before acquisitions and gains on foreign exchange



Continental Europe

£m	2003	2002	%
Gross fees	75.4	26.1	+189%
Net fees	16.9	6.9	+145%
Costs	<u>(16.3)</u>	<u>(8.5)</u>	
Operating profit	0.6	(1.6)	
Consultant headcount	358	184	+95%



Australia / New Zealand

£m	2003	2002	%
Gross fees	72.3	46.1	+57%
Net fees	21.8	15.7	+39%
Costs	<u>(13.0)</u>	<u>(9.5)</u>	
Operating profit	8.8	6.2	+42%
Consultant headcount	344	294	+17%



United Kingdom

£m	2003	2002	%
Gross fees	475.5	430.0	+11%
Net fees	141.8	137.4	+3%
Costs	<u>(91.1)</u>	<u>(88.4)</u>	
Operating profit	50.7	49.0	+3%
Consultant headcount	2,323	2,286	+2%



United Kingdom - Accountancy

£m	2003	2002	%
Gross fees	159.0	153.6	+4%
Net fees	66.4	66.8	(1)%
Consultant headcount	969	942	+3%



United Kingdom - Montrose

£m	2003	2002	%
Gross fees	151.1	133.2	+13%
Net fees	44.3	40.3	+10%
Consultant headcount	748	765	(2)%



United Kingdom - IT

£m	2003	2002	%
Gross fees	104.7	94.7	+11%
Net fees	10.2	9.7	+5%
Consultant headcount	109	123	(11)%



United Kingdom - Other*

£m	2003	2002	%
Gross fees	60.7	48.5	+25%
Net fees	20.9	20.6	+1%
Consultant headcount	497	456	+9%

* Financial Services, Banking, Legal, Education, Contact Centres



Personnel outlook

- Slightly more favourable economic conditions
- January and February like-for-like net fee growth of 5-6% compared to last year
- No acceleration in growth is currently apparent
- Current year performance broadly in line with our expectations



Summary

- Group performance in line with our expectations
- Two thirds of Group transformation successfully completed
- Continued steady recovery in Personnel business
- Mail generating stable profits

