

HAYS

**Preliminary Results
Year ended 30 June 2005**



Bob Lawson

Chairman



A record year for Hays Specialist Recruitment

| | | Growth |
|-------------------------------------|-----------|--------|
| Record turnover | £1,640.4m | + 18% |
| Record net fees | £470.6m | + 16% |
| Record operating profit* | £167.1m | + 25% |
| Record operating cash flow | £158.0m | + 51% |
| Record investment in consultants | 3,683 | + 19% |
| Record investment in business units | 723 | + 12% |

* Before goodwill amortisation



Corporate

- Full year dividend of 3.40p - up 13%
- Share buy-back
 - £184 million to date
 - Extended to at least £300 million
- Successful demerger of DX Services



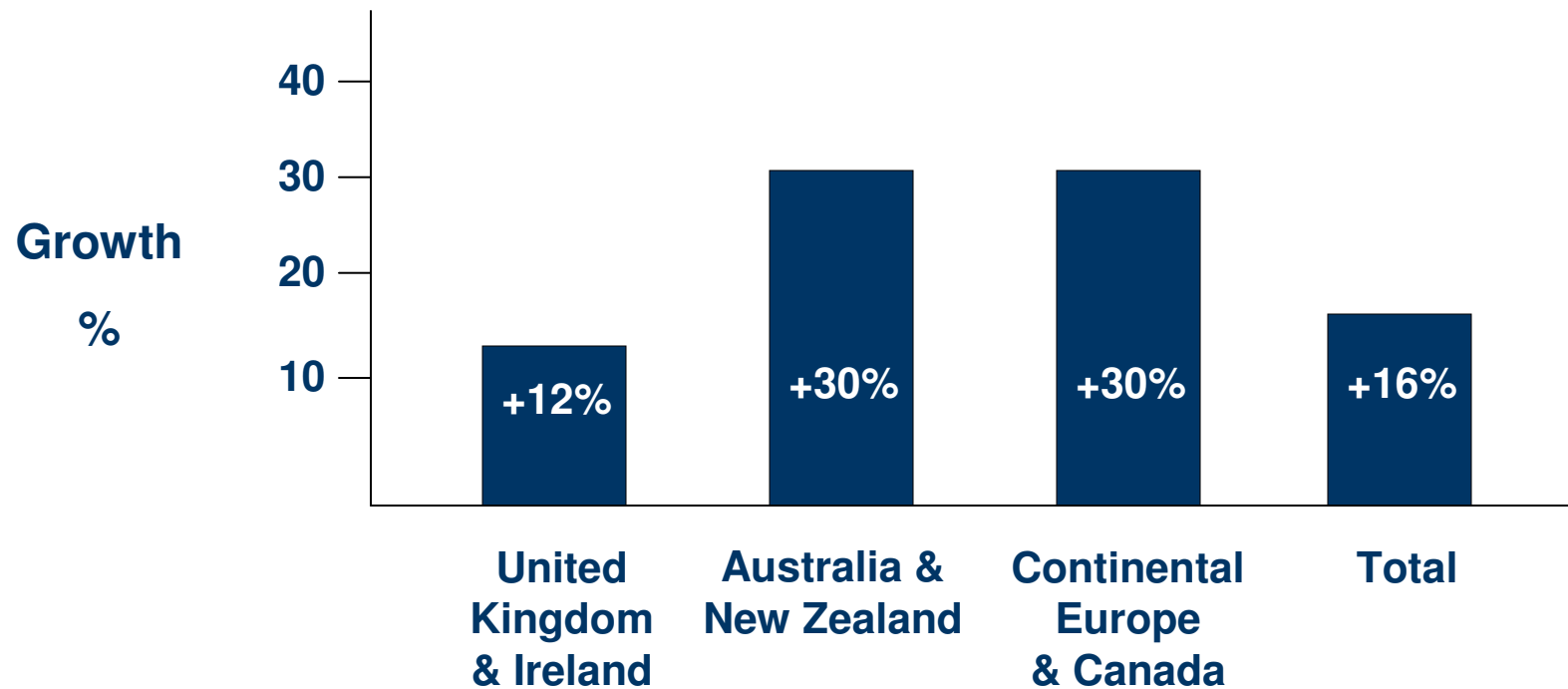
Agenda

- Operating review – Denis Waxman, Chief Executive
- Financial review – John Martin, Finance Director
- Strategy and outlook – Denis Waxman, Chief Executive



Operating review
Denis Waxman
Chief Executive

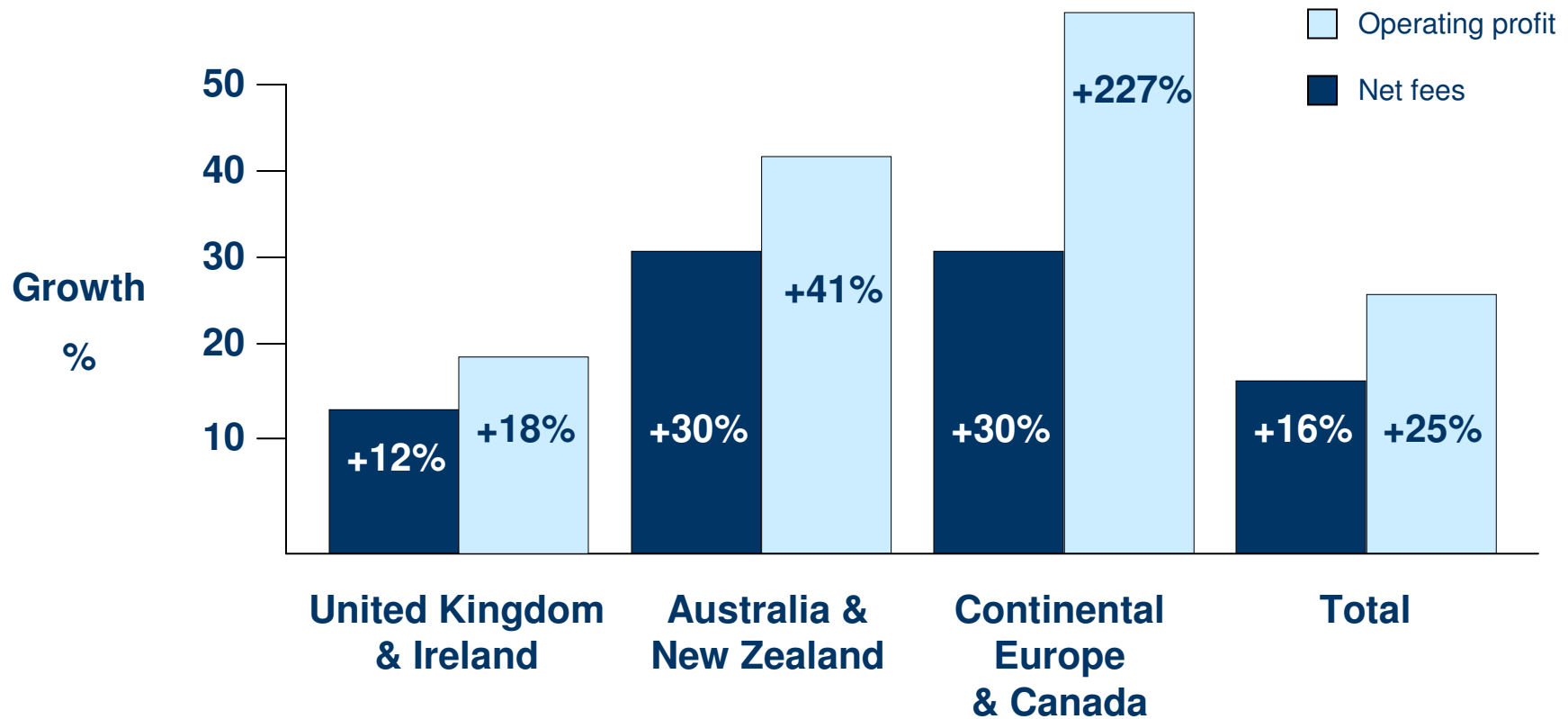
Net fee growth in every region



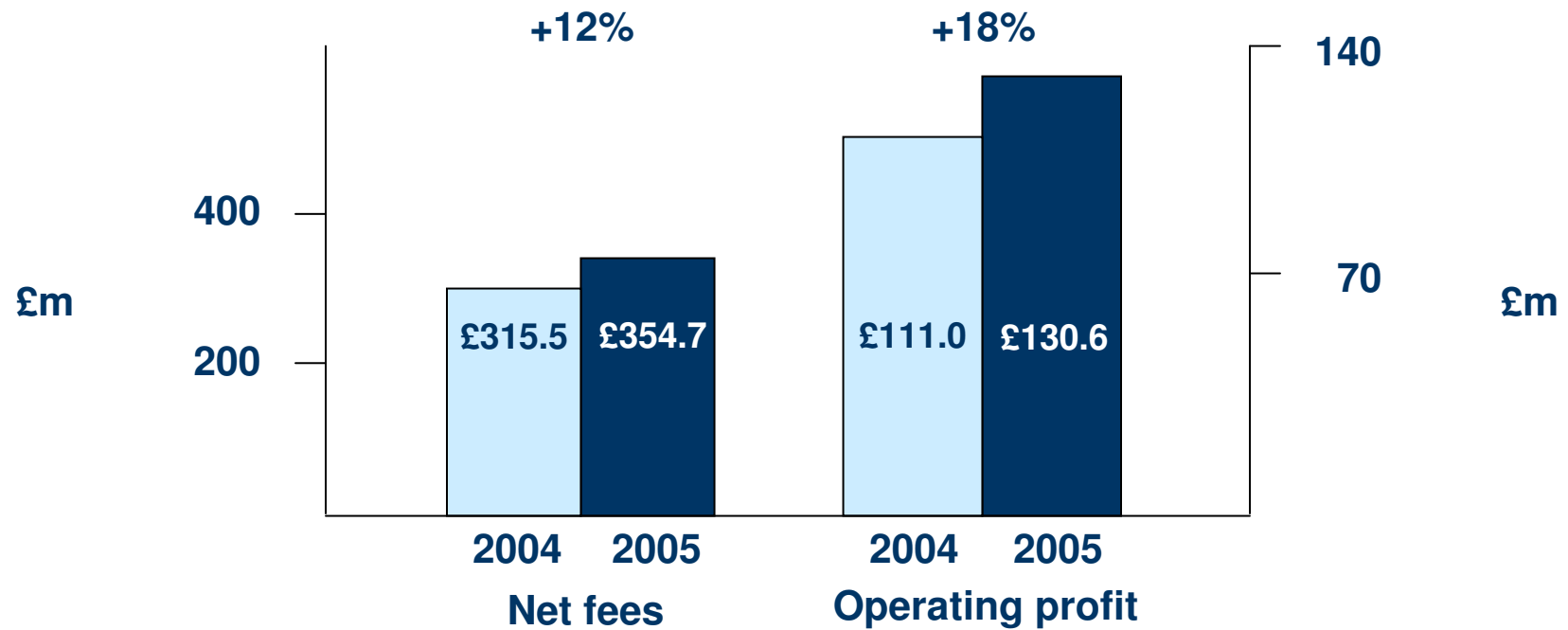
- Temporary net fees +13%
- Permanent net fees +21%



Operating profit growth in every region

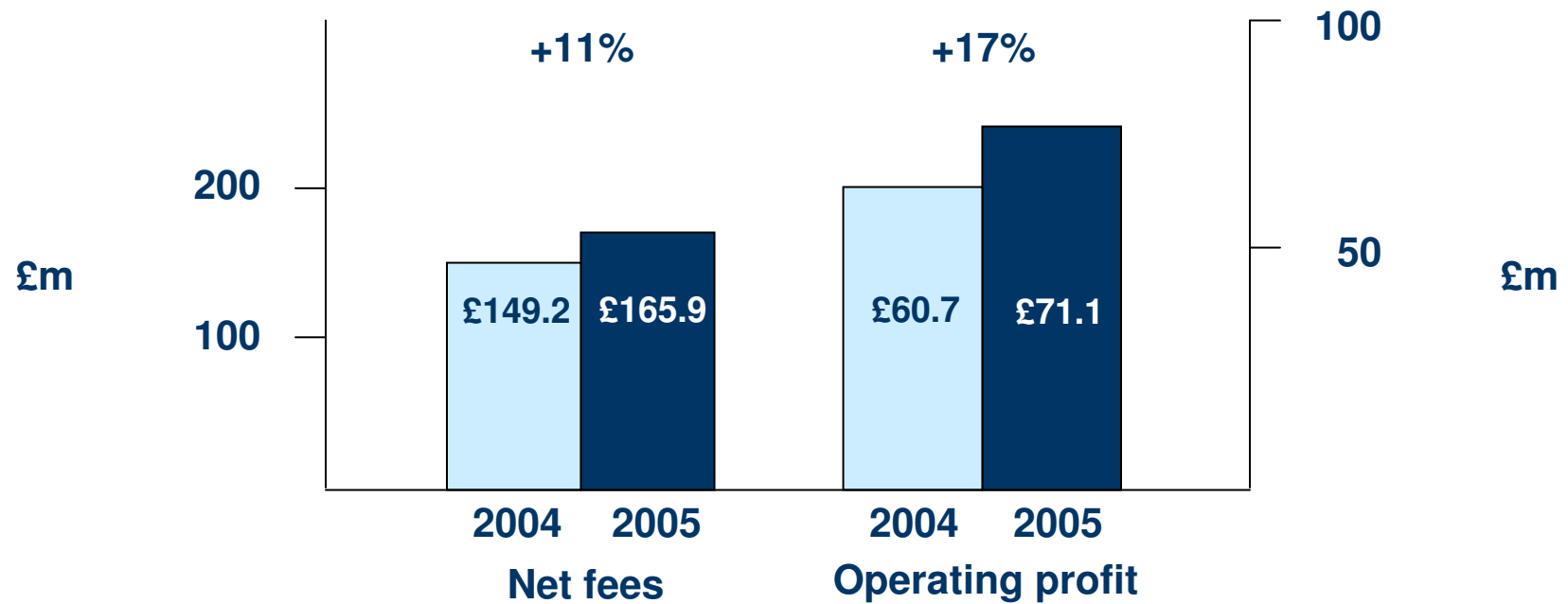


United Kingdom & Ireland



- Net fee and profit growth in all major segments

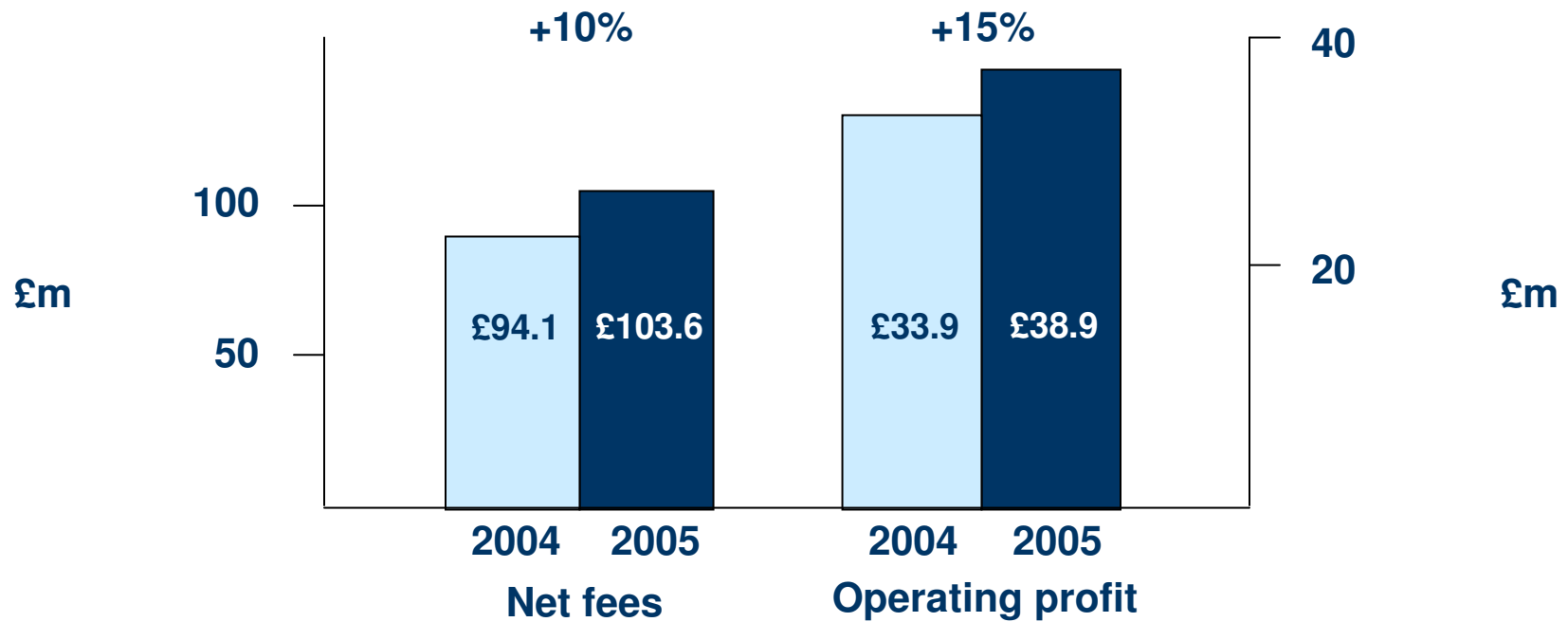
United Kingdom – Accountancy & Finance



Strongest growth:

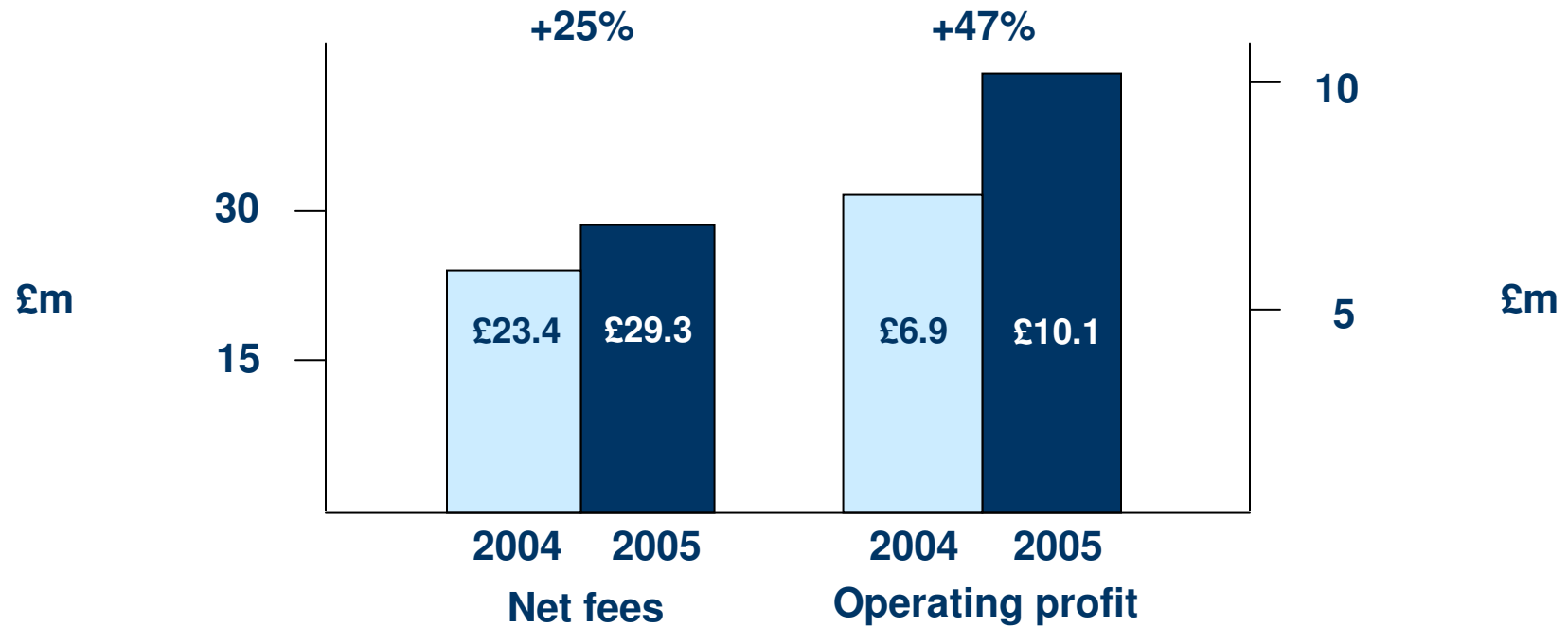
- Permanent placements
- South East

United Kingdom – Construction & Property



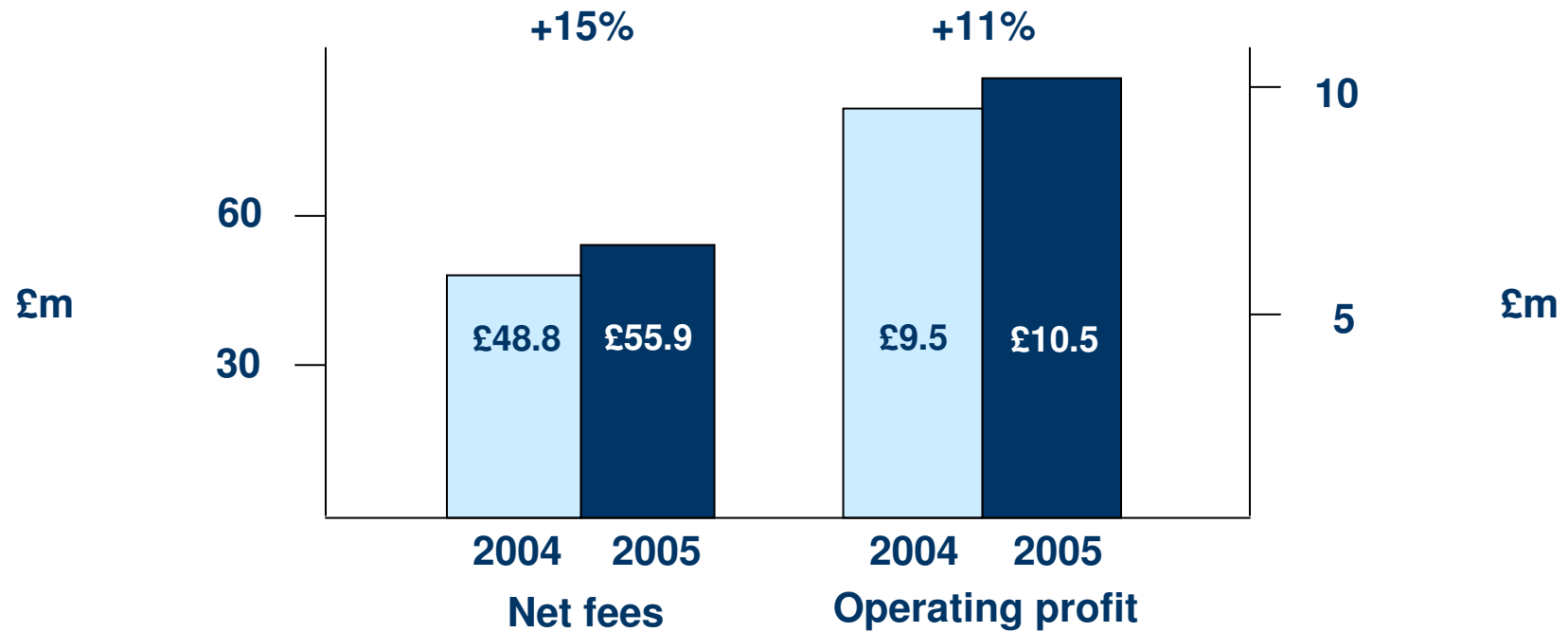
- Strongest growth in the regions, good growth in social housing
- Future opportunity from the London Olympics 2012

United Kingdom – Information Technology



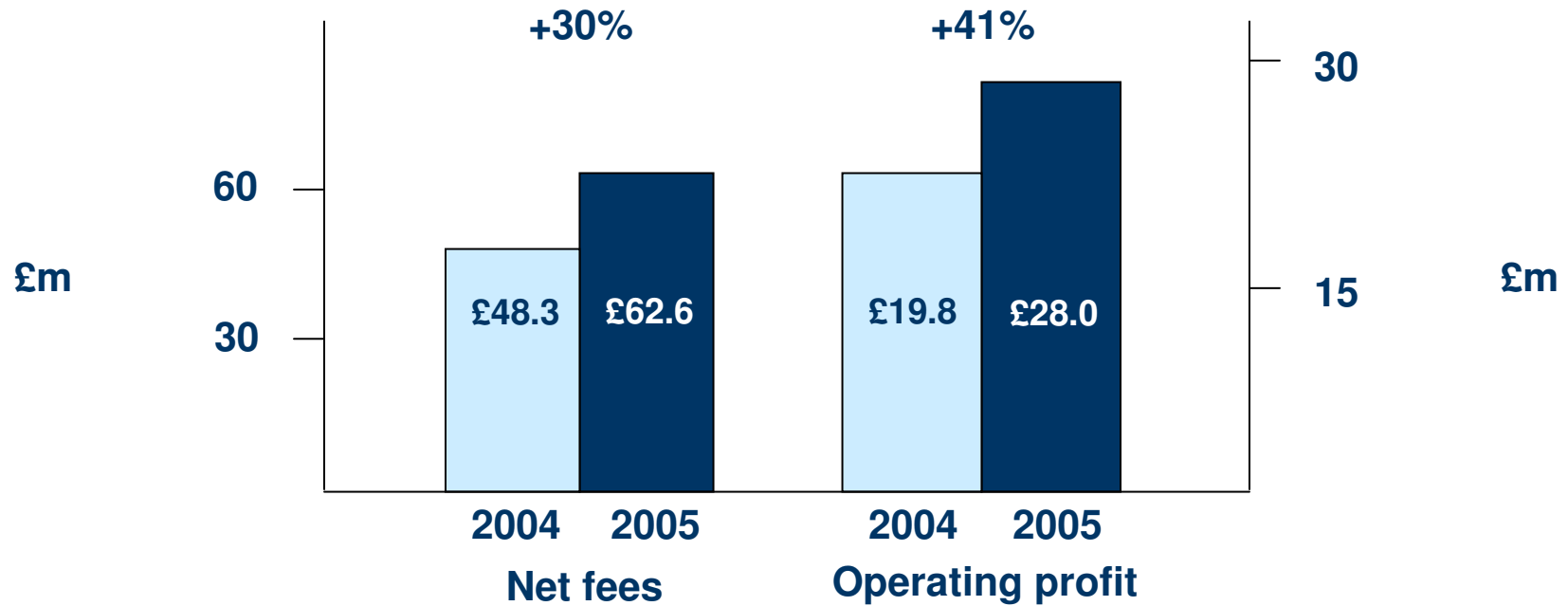
- Strong permanent placement growth
- Growth in contractor numbers

United Kingdom – Other specialist activities



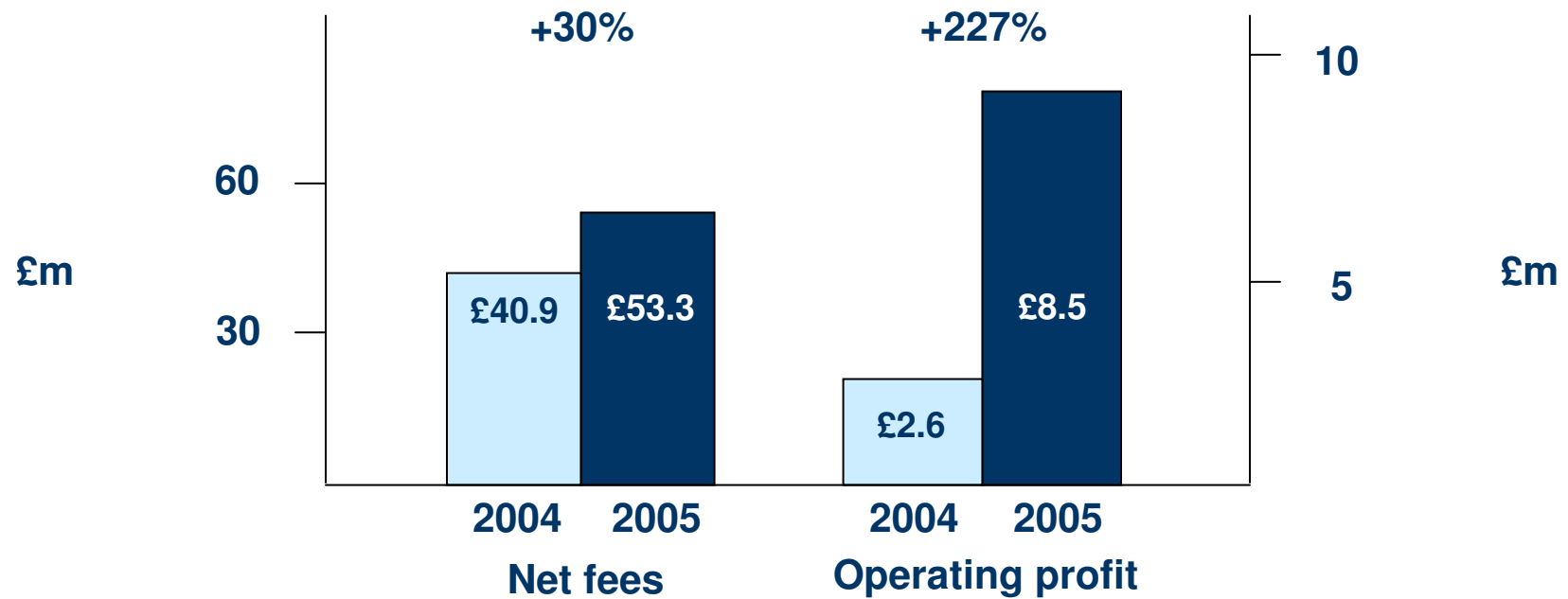
- Good growth in Education, Legal & Banking

Australia & New Zealand



- Government infrastructure investment
- Forecast skill shortages

Continental Europe & Canada



- Growth in all 12 countries
- 8 new businesses grew net fees by more than 50%

Pricing

- Temporary margins
 - Lower for the year as a whole
 - 29 bps improvement H1 to H2

- Permanent pricing remains firm

- Wage inflation
 - Average 4-5%
 - Slightly higher at senior levels



Financial review
John Martin
Finance Director

Group profit and loss

| Year ended 30 June | £m | Specialist Recruitment | Other | Group |
|-----------------------|----|------------------------|--------------|----------------|
| Turnover | | <u>1,640.4</u> | <u>42.6</u> | <u>1,683.0</u> |
| Operating profit | | 167.1 | 8.4 | 175.5 |
| Associate | | - | 1.4 | 1.4 |
| Exceptional items | | - | 24.4 | 24.4 |
| Interest | | 3.4 | - | 3.4 |
| Goodwill amortisation | | <u>(13.2)</u> | <u>-</u> | <u>(13.2)</u> |
| Profit before tax | | 157.3 | 34.2 | 191.5 |
| Tax | | <u>(53.0)</u> | <u>(3.1)</u> | <u>(56.1)</u> |
| Profit after tax | | <u>104.3</u> | <u>31.1</u> | <u>135.4</u> |

Specialist Recruitment profit and loss

| Year ended 30 June | £m | 2005 | 2004 | Growth |
|-----------------------|----|---------------------|--------------------|--------|
| Turnover | | 1,640.4 | 1,388.8 | + 18% |
| Net fees | | 470.6 | 404.7 | + 16% |
| Operating profit | | 167.1 | 133.4 | + 25% |
| Interest | | 3.4 | (3.4) | |
| Goodwill amortisation | | <u>(13.2)</u> | <u>(13.3)</u> | |
| Profit before tax | | 157.3 | 116.7 | |
| Tax | | <u>(53.0)</u> | <u>(41.0)</u> | |
| Profit after tax | | <u><u>104.3</u></u> | <u><u>75.7</u></u> | |

Net fee growth

| Year ended 30 June | £m | 2005 | 2004 | Growth |
|--------------------|----|--------------|--------------|--------------|
| Temporary net fees | | 272.4 | 240.9 | + 13% |
| Permanent net fees | | 198.2 | 163.8 | + 21% |
| | | <u>470.6</u> | <u>404.7</u> | <u>+ 16%</u> |
| First half | | 226.1 | 192.4 | +18% |
| Second half | | 244.5 | 212.3 | +15% |
| | | <u>470.6</u> | <u>404.7</u> | <u>+16%</u> |

Impact of exchange movements and trading days

| FX impact | £m | Gross fees | Net fees | Op. profit |
|-----------------------------|----|--------------|--------------|--------------|
| Australia & New Zealand | | (3.6) | (1.1) | (0.5) |
| Continental Europe & Canada | | (2.3) | (0.6) | - |
| | | <u>(5.9)</u> | <u>(1.7)</u> | <u>(0.5)</u> |

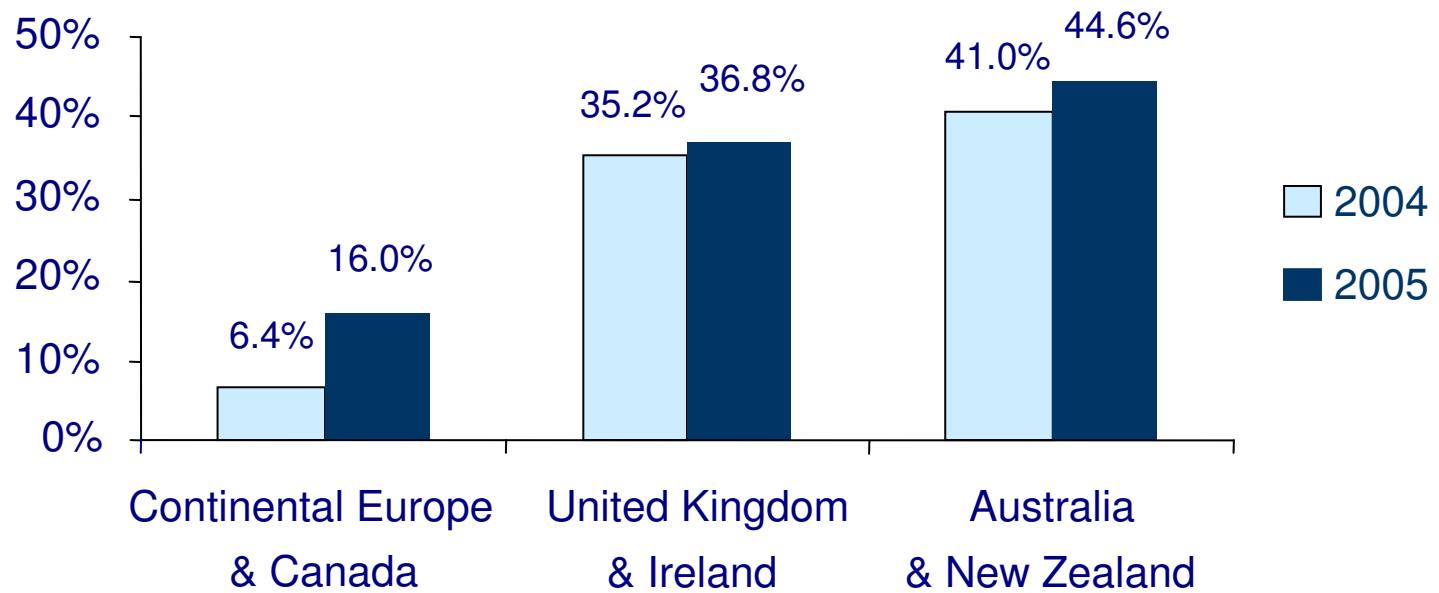
| Number of trading days | H1 | H2 | Year |
|------------------------|-----|-----|------|
| 2005/06 | 128 | 125 | 253 |
| 2004/05 | 129 | 124 | 253 |
| 2003/04 | 129 | 125 | 254 |



Cost development and investment

| £m | United Kingdom & Ireland | Australia & New Zealand | Continental Europe & Canada | Total |
|-------------------------|--------------------------|-------------------------|-----------------------------|--------------|
| Operating expenses 2004 | 204.5 | 28.5 | 38.3 | 271.3 |
| Movement | 19.6 | 6.1 | 6.5 | 32.2 |
| Operating expenses 2005 | <u>224.1</u> | <u>34.6</u> | <u>44.8</u> | <u>303.5</u> |
| Operating expenses | +10% | +21% | +17% | +12% |
| Consultant headcount | +16% | +34% | +21% | +19% |

Conversion rate



Overall conversion rate improved from 33.0% to 35.5%

Specialist Recruitment interest and tax

| Year ended 30 June | £m | 2005 | 2004 |
|--------------------------------|----|--------------|--------------|
| Average net cash / (debt) | | 85.1 | (87.6) |
| Effective rate of interest | | 4.0% | 3.9% |
| Interest | | <u>3.4</u> | <u>(3.4)</u> |
| Profit before tax and goodwill | | 170.5 | 130.0 |
| Effective rate | | <u>31.1%</u> | <u>31.5%</u> |
| Tax | | <u>53.0</u> | <u>41.0</u> |

Specialist Recruitment cash flow

| Year ended 30 June | £m | 2005 | 2004 |
|----------------------------------|----|--------------------|----------------------|
| Operating profit before goodwill | | 167.1 | 133.4 |
| Depreciation | | 6.5 | 6.5 |
| Working capital | | <u>(15.6)</u> | <u>(35.4)</u> |
| Cashflow from operations | | 158.0 | 104.5 |
| Interest * | | 3.4 | (4.1) |
| Tax * | | (55.3) | (40.7) |
| Capital expenditure | | <u>(8.8)</u> | <u>(5.3)</u> |
| | | 97.3 | 54.4 |
| Dividends | | <u>(53.4)</u> | <u>(79.3)</u> |
| | | <u><u>43.9</u></u> | <u><u>(24.9)</u></u> |

* Group cash flow from interest and tax

Balance sheet

| As at 30 June | £m | 2005 | 2004 |
|--------------------------------------|----|---------------------|--------------------|
| Intangible fixed assets (goodwill) | | 86.2 | 99.2 |
| Tangible fixed assets | | 19.5 | 38.7 |
| Debtors | | 337.0 | 312.9 |
| Taxation | | (89.8) | (110.3) |
| Other creditors | | (208.7) | (218.0) |
| Provisions for liabilities & charges | | <u>(89.5)</u> | <u>(125.4)</u> |
| | | 54.7 | (2.9) |
| Net cash | | <u>64.3</u> | <u>77.4</u> |
| Net assets | | <u><u>119.0</u></u> | <u><u>74.5</u></u> |



Pension commitments

| As at 30 June | £m | 2005 | 2004 |
|---|----|--------------------|--------------------|
| FRS17 deficit * | | 48.2 | 47.7 |
| SSAP 24 prepayment * | | <u>16.9</u> | <u>18.5</u> |
| Net impact on reserves of adoption of FRS17 | | <u><u>65.1</u></u> | <u><u>66.2</u></u> |

* Net of deferred tax

Earnings per share

| | 2005 | 2004 | Growth |
|--------------------------|-------------|-------------|--------|
| Specialist Recruitment * | 6.95 | 5.20 | +34% |
| Goodwill | (0.78) | (0.77) | |
| Discontinued | 0.40 | 2.03 | |
| Exceptional items | 1.44 | (2.59) | |
| Basic EPS | <u>8.01</u> | <u>3.87</u> | |

* Using earnings before goodwill of £117.5m (2004 – £89.0m) and weighted average shares in issue of 1,690.0m (2004 – 1,712.8m)



Dividends

| Year ended 30 June | 2005 | 2004 | Growth |
|--------------------|--------------|--------------|--------|
| Interim dividend | 1.13p | 1.00p | |
| Final | <u>2.27p</u> | <u>2.00p</u> | |
| | 3.40p | 3.00p | + 13% |
| Total charge | £55.1m | £51.5m | + 7% |
| Dividend cover * | 2.04 x | 1.73 x | |

* Adjusted Specialist Recruitment Earnings Per Share before goodwill & exceptional items / dividend per share

Share buy-back

| | November to June | July to September | Total to date |
|-----------------------|---------------------|----------------------|----------------|
| Number of shares | 100.8m | 42.2m | 143.0m |
| Average price paid | 127.1p | 131.7p | 128.5p |
| Total cost * | <u>£128.1m</u> | <u>£55.6m</u> | <u>£183.7m</u> |
| | | | |
| % of issued capital * | 5.8% | 2.4% | 8.2% |

Share buy-back programme to be extended to at least £300m

* Calculated using 1,735.9m shares & including stamp duty

Reconciliation to group profit after tax

| Year ended 30 June | £m | 2005 | 2004 |
|---|----|--------------|-------------|
| Specialist Recruitment profit after tax | | 104.3 | 75.7 |
| Discontinued activities | | 8.4 | 48.1 |
| Associate | | 1.4 | 2.9 |
| Exceptional items | | 24.4 | (20.0) |
| Tax | | (3.1) | (40.4) |
| Profit after tax | | <u>135.4</u> | <u>66.3</u> |

Reconciliation to group cash flow

| Year ended 30 June | £m | 2005 | 2004 |
|---------------------------------|----|---------------|---------------|
| Specialist Recruitment | | 43.9 | (24.9) |
| Discontinued activities & other | | 3.3 | 52.0 |
| Pension cash contribution | | - | (51.7) |
| Exceptional finance charge | | - | (18.0) |
| Capital expenditure | | (1.3) | (18.7) |
| Acquisitions and disposals | | 61.3 | 334.0 |
| Financing | | 6.3 | (347.2) |
| Share buy-back | | (128.1) | - |
| | | <u>(14.6)</u> | <u>(74.5)</u> |

Non-trading commitments remain at £26m

IFRS net assets reconciliation

| Net assets at 30 June | £m | 2005 |
|------------------------------|-----------|--------------|
| UK GAAP | | 119.0 |
| IAS 19 (FRS 17) pensions | | (65.1) |
| Dividends | | 36.1 |
| Goodwill | | 13.2 |
| IFRS 2 share based payments | | 3.5 |
| IFRS * | | <u>106.7</u> |

* Unaudited

IFRS profit and loss reconciliation

| Year ended 30 June 2005 | £m | Operating profit from continuing operations before goodwill | Group profit after tax |
|-----------------------------|----|--|---------------------------|
| UK GAAP | | 167.1 | 135.4 |
| IFRS 2 share based payments | | (0.5) | (0.6) |
| IAS 19 (FRS 17) pensions | | (0.4) | (2.1) |
| Goodwill | | - | 13.2 |
| IFRS * | | <u>166.2</u> | <u>145.9</u> |

* Unaudited

Financial summary

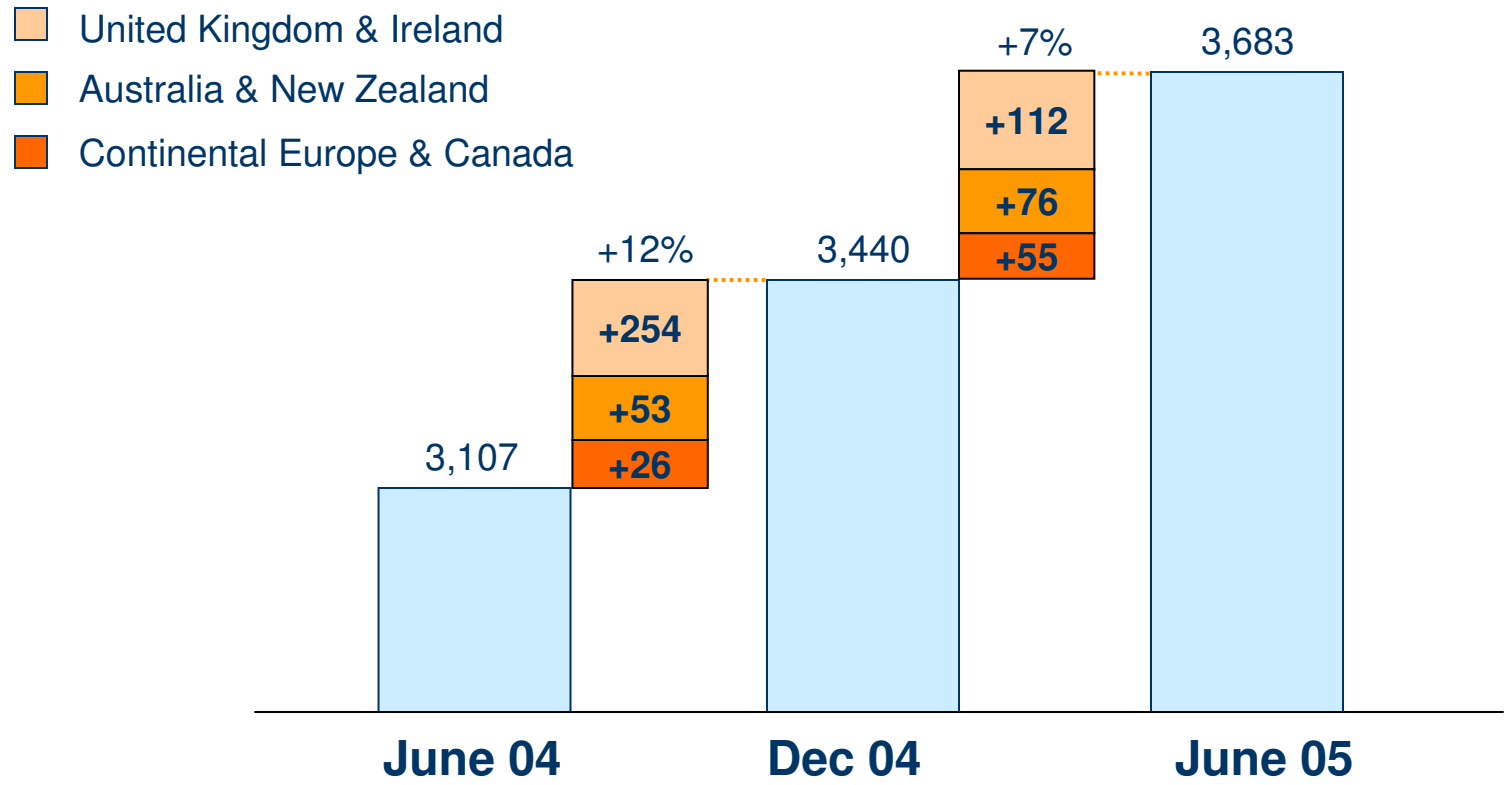
- Record net fees +16%, to £470.6m
- Conversion rate + 2.5% to 35.5%
- Record operating profit +25% to £167.1m
- Tax rate 0.4% better at 31.1%
- Record cash from operations of £158.0m
- Dividend +13% to 3.40p, with improved cover
- Bought back £128.1m of shares during the period & £183.7m (8.2%) to date
- IFRS impact (0.5%) of operating profit (2.0%) of profit after tax
- Net debt range remains £50-£150m



Strategy and outlook
Denis Waxman
Chief Executive

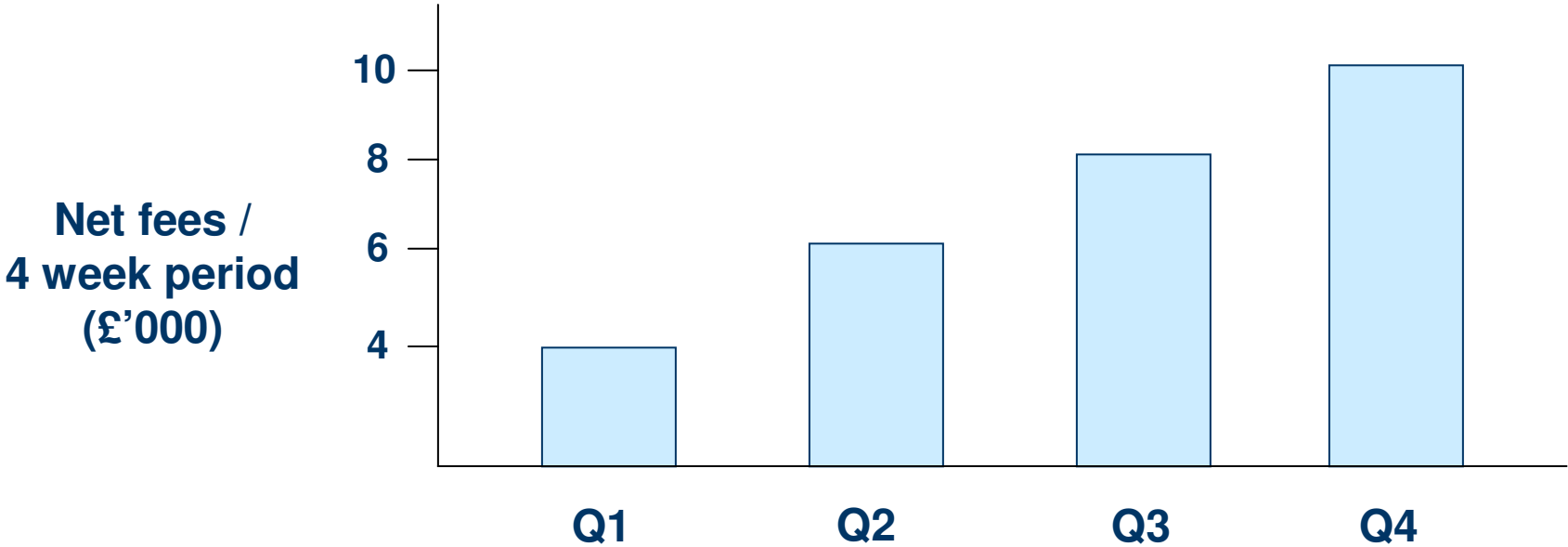
- **Investment**
- **Growth**
- **Profit**
- **Cash**
- **Delivered consistently**

Strategy - investment in recruitment consultants



Investment in recruitment consultants +19%

Strategy – development of new recruitment consultants



Consultants reach average productivity in the 4th quarter

Strategy - investment in new office locations

United Kingdom & Ireland

Birmingham

Canterbury

Derry

Dublin

Kettering

Newry

Portadown

Redditch

Rochdale

Rugby

Scunthorpe

Tunbridge Wells

Victoria

Walsall

Wigan

Winchester

Yeovil

Australia & New Zealand

South Auckland

Continental Europe & Canada

Geneva

Katowice

Luxembourg

Nantes

Nice

Ontario

Oporto

Toronto

Vancouver

Investment in new offices +27



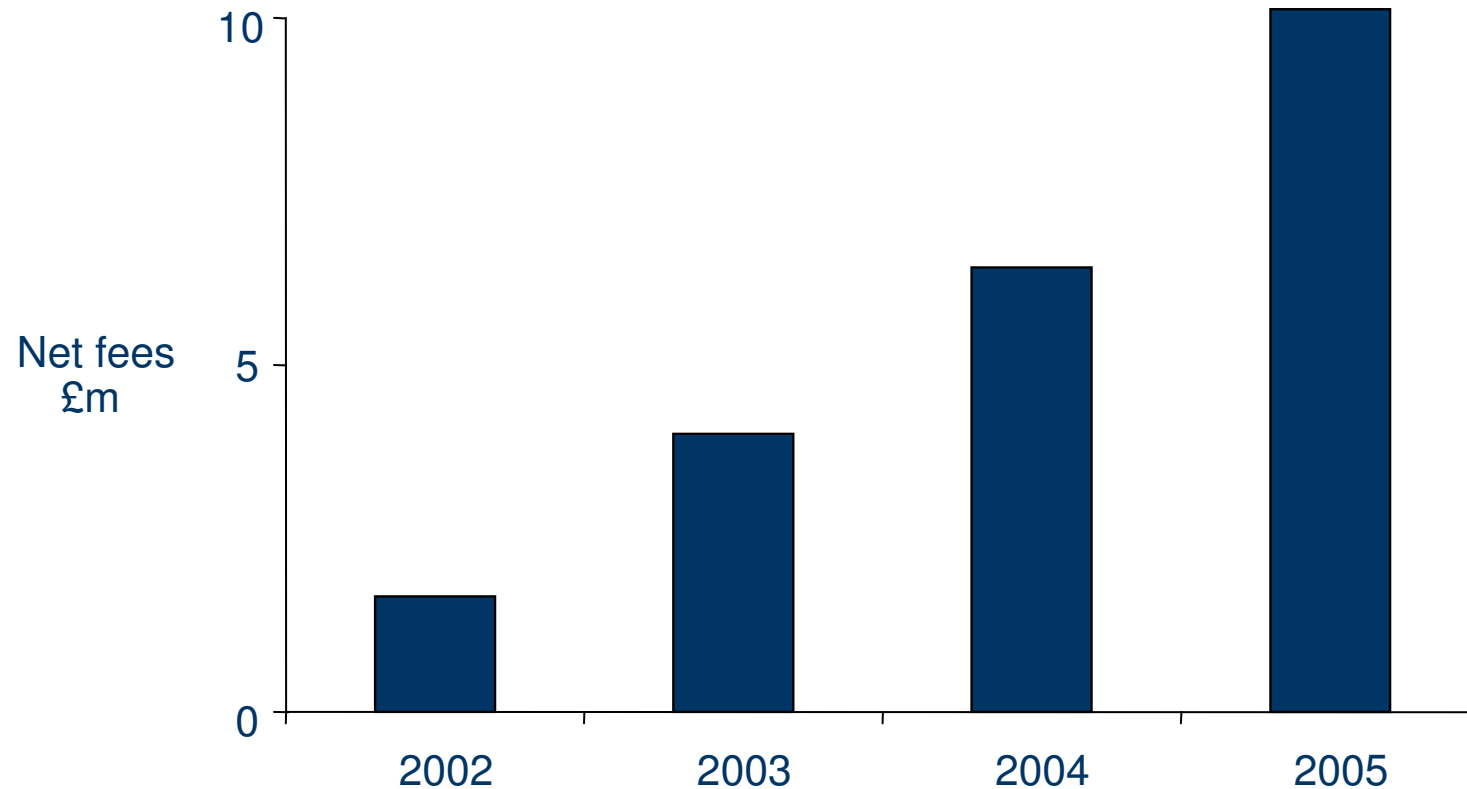
Strategy - investment in new business units

| As at 30 June | 2005 | 2004 |
|-----------------------------------|------------|------------|
| United Kingdom & Ireland | 423 | 392 |
| Australia & New Zealand | 145 | 124 |
| Continental Europe & Canada | 155 | 127 |
| | <u>723</u> | <u>643</u> |
| Number of office locations | 289 | 278 |
| Average business units / location | 2.50 | 2.31 |

Investment in new business units +80

Strategy – development of new specialist activities

Hays Human Resources



Strategy - market growth

- Increased employer demand for more flexible workforce
- Increased attraction of temporary work for professional candidates
- More frequent job changes
- Demographic trends – skills shortages and greater worker mobility
- Low specialist penetration rates in many markets
- Deregulation

Strategy – geographical expansion

Specialist activities

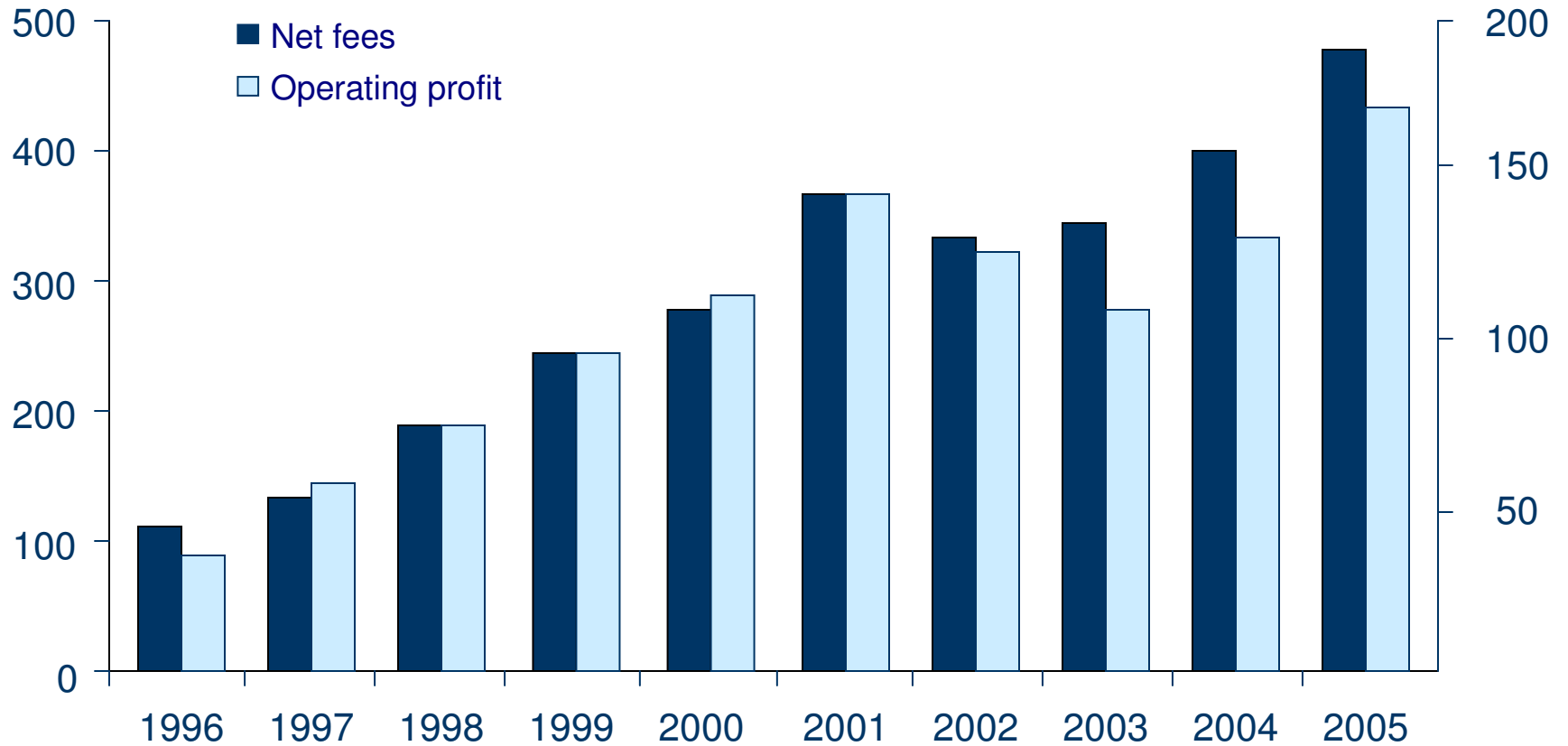
- Launch new specialist activities
- Increase specialisation within existing activities

Geographies

- Increase our geographical coverage



Hays Specialist Recruitment – historic performance





Outlook

- July and August net fee growth of 13%
- Continuing to invest in new offices across the business
- Developing new specialist activities
- Geographic expansion

HAYS

APPENDICES

Appendix I – segmental summary

| £m | 2005 Net fees | 2005 Operating profit* | 2004 Net fees | 2004 Operating profit* |
|-----------------------------|------------------|------------------------------|------------------|------------------------------|
| United Kingdom & Ireland | | | | |
| Accountancy & Finance | 165.9 | 71.1 | 149.2 | 60.7 |
| Construction & Property | 103.6 | 38.9 | 94.1 | 33.9 |
| Information Technology | 29.3 | 10.1 | 23.4 | 6.9 |
| Other specialist activities | 55.9 | 10.5 | 48.8 | 9.5 |
| | <u>354.7</u> | <u>130.6</u> | <u>315.5</u> | <u>111.0</u> |
| Australia & New Zealand | 62.6 | 28.0 | 48.3 | 19.8 |
| Continental Europe & Canada | 53.3 | 8.5 | 40.9 | 2.6 |
| | <u>470.6</u> | <u>167.1</u> | <u>404.7</u> | <u>133.4</u> |

* Before goodwill amortisation



Appendix II - consultants

| | June 2005 | Dec 2004 | June 2004 |
|-----------------------------|--------------|--------------|--------------|
| United Kingdom & Ireland | | | |
| Accountancy & Finance | 1,109 | 1,044 | 931 |
| Construction & Property | 850 | 847 | 774 |
| Information Technology | 165 | 148 | 122 |
| Other specialist activities | 570 | 543 | 501 |
| | <u>2,694</u> | <u>2,582</u> | <u>2,328</u> |
| Australia & New Zealand | 513 | 437 | 384 |
| Continental Europe & Canada | 476 | 421 | 395 |
| | <u>3,683</u> | <u>3,440</u> | <u>3,107</u> |

Note – The above is period end data



Appendix III – network

| | Office locations | On-site locations | Back office locations | Total |
|----------------|------------------|-------------------|-----------------------|------------|
| B/f | 278 | 31 | 4 | 313 |
| Expansion | 27 | 2 | - | 29 |
| Office mergers | (16) | - | - | (16) |
| C/f | <u>289</u> | <u>33</u> | <u>4</u> | <u>326</u> |