

**Preliminary Results**

**Year ended 30 June 2006**

**Bob Lawson**

**Chairman**

## Record net fees and profits

Year ended 30 June £m	2006	Growth
Net fees	538.2	+ 13%*
Operating profit	193.0	+ 15%*
Profit before taxation	192.5	+ 15%
Earnings per share	8.69p	+ 27%
Dividend per share	4.35p	+ 28%
Net cash from operating activities	136.4	+ 29%

\* Organic growth at constant currency

## Corporate

- Significantly increased EPS by 27% to 8.69p
- Full year dividend increased by 28% to 4.35p
- Share buy-back
  - Buy-back has continued during the year to return surplus cash to shareholders
  - 167.1 million shares at a total cost of £215.2 million
- Office of Fair Trading investigation
  - No change in guidance or further information
- Albion transaction resulted in a £30.0 million cash inflow for Hays in June 2006

## Agenda

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- Financial review – Paul Venables, Finance Director
- Operating review and outlook – Denis Waxman, Chief Executive

## Financial review

**Paul Venables**

**Finance Director**

## Income statement

Year ended 30 June £m	2006	2005	Actual growth	Like-for- like*
Turnover	1,826.6	1,640.4	+ 11%	+ 10%
Net fees	538.2	470.6	+ 14%	+ 13%
Profit from operations	193.0	166.2	+ 16%	+ 15%
Net finance (cost) / income	(0.5)	1.5		
Profit before tax	192.5	167.7	+ 15%	
Tax	(60.1)	(52.5)		
Profit after tax	<u>132.4</u>	<u>115.2</u>	<u>+ 15%</u>	

\* Organic growth at constant currency

## Like-for-like summary

Year ended 30 June 2006	Headline growth %	Like-for- like* %
<b>Net fees</b>		
United Kingdom & Ireland	7%	6%
Continental Europe & Canada	39%	38%
Asia Pacific	37%	31%
	<u>14%</u>	<u>13%</u>
<b>Operating profit</b>		
United Kingdom & Ireland	6%	6%
Continental Europe & Canada	62%	60%
Asia Pacific	50%	43%
	<u>16%</u>	<u>15%</u>

\* Organic growth at constant currency

**Impact of exchange movements and trading days**

<b>FX impact</b>		<b>Net fees</b>	<b>Operating profit</b>
<b>£m</b>			
Continental Europe & Canada		0.4	0.1
Asia Pacific		2.8	1.3
		<u>3.2</u>	<u>1.4</u>
<b>Number of trading days</b>	<b>H1</b>	<b>H2</b>	<b>Year</b>
2006/07	127	125	252
2005/06	128	125	253
2004/05	129	124	253

**Exchange rate guidance**

	<b>Average</b>	<b>Closing</b>	<b>Impact</b>
	<b>2006</b>	<b>2006</b>	
Australian \$	2.39	2.49	(4%)
Euro €	1.47	1.45	+1%
<b>Impact of a one cent change</b>		<b>Impact</b>	
		<b>Net fees</b>	<b>Operating profit</b>
Australian \$		£0.4m	£0.2m
Euro €		£0.5m	£0.1m

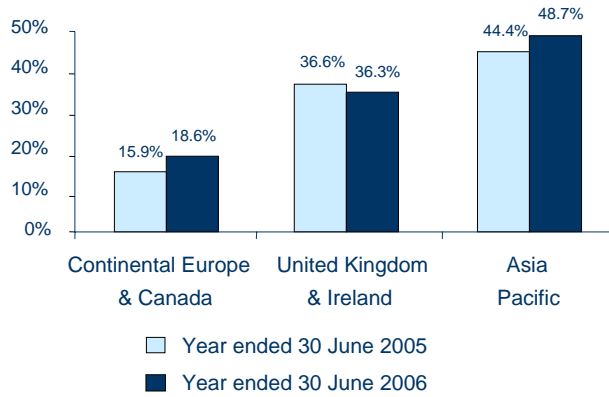
## Net fee growth

Year ended 30 June £m	2006	2005	Actual growth	Constant exchange
Temporary net fees	301.6	272.4	+ 11%	+ 10%
Permanent net fees	<u>236.6</u>	<u>198.2</u>	<u>+ 19%</u>	<u>+ 18%</u>
	<u>538.2</u>	<u>470.6</u>	<u>+ 14%</u>	<u>+ 13%</u>
Permanent % of total	44.0%	42.1%	+ 1.9%	

## Pricing

- Temporary margins
  - Group temporary margin 19.0% (2005 – 18.9%)
  - Increased margin in UK newer specialist activities and Australia & New Zealand
  - Modest margin reduction in Accountancy & Finance and Construction & Property in the second half
- Permanent placements
  - Pricing strengthened during the period by circa 10%
  - Wage inflation of approximately 3.0% - 3.5%

**Conversion rate**



Overall conversion rate improved from 35.3% to 35.9% (H1: 36.3%, H2: 35.4%)

**Finance income / (charge)**

Year ended 30 June	2006	2005
<b>£m</b>		
Interest charge on (debt) / cash	(1.3)	4.0
IAS 19 pension income / (charge)	1.1	(2.5)
PPF Levy	(0.3)	–
Net finance (charge) / income	<u>(0.5)</u>	<u>1.5</u>
Average (debt) / cash	(21.3)	113.6

Net debt at 4 September 2006 circa £100 million

Net finance charge guidance for 2007 is £6.0 – 8.0 million

**Taxation and discontinued activities**

	2006	2005
<b>Taxation</b>		
Effective tax rate	31.2%	31.3%
<b>Discontinued activities</b>		
Profit net of tax	£52.5m	£30.7m

- Investment in Albion realised with profit net of tax of £30.0 million
- Release of surplus tax related accruals of £18.2 million
- Disposal of legacy property, profit net of tax £4.3 million

**Earnings per share**

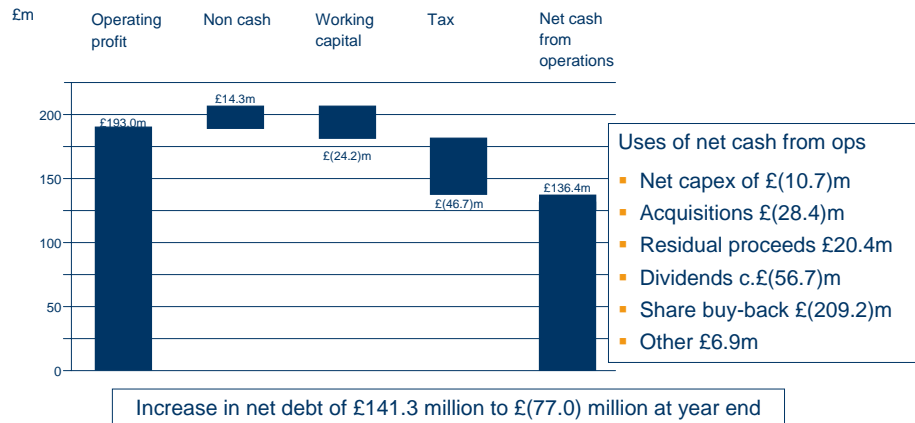
Year ended 30 June	2006	2005	Growth
Basic earnings from continuing operations	£132.4m	£115.2m	+ 15%
Weighted average number of shares	<u>1,523m</u>	<u>1,690m</u>	<u>(10%)</u>
Basic Earnings Per Share	<u>8.69p</u>	<u>6.82p</u>	<u>+ 27%</u>

1,468 million shares at 30 June 2006

1,460 million shares for basic EPS at 4 September

## Cash flow analysis

Year ended 30 June



## Balance sheet

As at 30 June	2006	2005
<b>£m</b>		
Goodwill and intangibles	127.8	100.8
Property, plant & equipment	20.1	18.1
Net deferred tax	21.3	24.9
Net working capital	121.3	97.3
Tax liabilities	(49.4)	(53.3)
Retirement benefit obligations	(55.9)	(69.7)
Provisions and other liabilities	(64.9)	(76.4)
	120.3	41.7
Net (debt) / cash	(77.0)	64.3
Net assets	43.3	106.0
Net debt / EBITDA	0.39	-

## Retirement benefit obligations

- Pension deficit under IAS 19 of £55.9m (£39.1m net of deferred tax), a reduction of £13.8m vs PY
- Assumptions for accounting:
  - Latest mortality assumptions added 3 years
  - Liabilities discounted at AA bond yield of 5.22%
  - Inflation increased to 2.90%, salary inflation assumed at 5.4%
- Actions by Hays:
  - Employee contributions increased by 2%
  - Employer contributions increased from 9.8% to 14.2%
  - Cash cost increases from circa £5.0 million in 2006 to circa £7.0 million in 2007
- Actuarial valuation of the pension scheme underway as at 30 June 2006

## Full year dividend

	Pence per share	Growth
Full year dividend last year	3.40	
Increase to reflect growth in the business	0.44	+ 13%
Increase to reflect the impact of the share buy-back	0.51	+ 15%
	<u>4.35</u>	<u>+ 28%</u>

- Final dividend of 2.90 pence per share (+28%) will be paid on the 21 November 2006 to shareholders on the register at 20 October 2006
- Dividend cover of 2 times

## Share buy-back

Period ended	Number of shares	Total cost £m	% of issued capital *
30 June 2005	100.8	128.1	5.8%
31 December 2005	134.4	168.1	7.7%
30 June 2006	32.7	47.1	1.9%
4 September 2006	6.7	8.8	0.4%
	<u>274.6</u>	<u>352.1</u>	<u>15.8%</u>

Acquired 15.8% of the shares at an average price of 128p

- Share buy-back estimated at circa £75-100m per annum for 2 years (depending on acquisitions)

\* Using 1,735.9 m shares

## Financial summary

- Net fees + 13%\* to £538.2m
- Operating profit + 15%\* to £193.0m
- Strong net cash from operations of £136.4m (2005 - £106.0m)
- Earnings per share + 27% to 8.69p
- Full year dividend + 28% to 4.35p

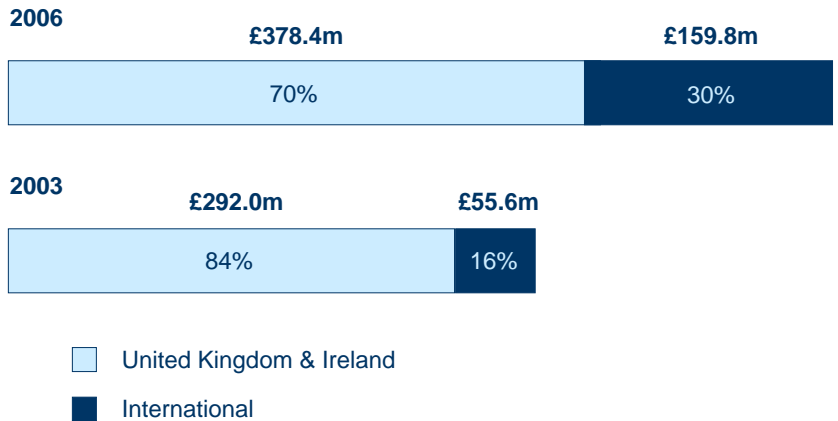
\* Organic growth at constant currency

**Operating review****Denis Waxman****Chief Executive****Specialist Recruitment**

<b>Year ended 30 June</b>	<b>2006</b>	<b>Growth</b>
<b>£m</b>		
Net fees	538.2	+ 13%*
Operating profit	193.0	+ 15%*
Consultants	4,062	+ 10%

\* Organic growth at constant currency

**Growth of our international business – net fees**



**Net fee and profit growth in every region**

Year ended 30 June 2006	Net fee growth *	Op profit growth *
 United Kingdom & Ireland	+ 6%	+ 6%
 Continental Europe & Canada	+ 38%	+ 60%
 Asia Pacific	+ 31%	+ 43%
	+ 13%	+ 15%

\* Organic growth at constant currency

## United Kingdom & Ireland



Year ended 30 June	2006	Growth*
£m		
Net fees	378.4	+ 6%
Operating profit	137.5	+ 6%
Consultants	2,698	Flat

\* Organic growth

## United Kingdom & Ireland - Summary

- Major specialist activities
  - Moderate growth across A&F, C&P and IT
  - Modest margin erosion in H2 in temporary business in A&F and C&P
  - Low volume growth in temporary and permanent business
  - Overall reduction in recruitment consultant headcount
  - Improved permanent pricing
- Strong growth in newer activities

**United Kingdom & Ireland****Accountancy & Finance**

Year ended 30 June	2006	Growth
£m		
Net fees	158.0	+ 6%
Operating profit	67.6	+ 6%
Consultants	925	(5%)

**United Kingdom & Ireland****Construction & Property**

Year ended 30 June	2006	Growth
£m		
Net fees	101.6	+ 5%
Operating profit	41.5	+ 7%
Consultants	805	+ 3%

**United Kingdom & Ireland****Information Technology**

Year ended 30 June	2006	Growth
£m		
Net fees	30.7	+ 5%
Operating profit	11.0	+ 10%
Consultants	150	(9%)

**United Kingdom & Ireland****Other Specialist Activities**

Year ended 30 June	2006	Growth
£m		
Net fees	88.1	+ 11%
Operating profit	17.4	+1%
Consultants	818	+ 5%

## Other Specialist Activities: Health and Social Care

### Acquisition of RSG

#### Update

- Strategic entry into healthcare and social care markets
- Net fees of £2.3 million and operating loss of £(0.3) million since ownership
- Performance adversely impacted by NHS funding issues
- Remain confident in the long term growth opportunities in the Health and Social Care markets
- Integration now complete

### Key Actions

- Focus on Social Care brand – 9 new offices
- Development of the permanent placement market

## Continental Europe & Canada



Year ended 30 June	2006	Growth
£m		
Net fees*	74.1	+ 38%
Operating profit*	13.8	+ 60%
Consultants	657	+ 38%

\* Growth rates at constant currency

**Continental Europe & Canada - Summary**

- Recruitment consultant growth of 38%
- 10 new offices opened
- Germany – strong fee growth and strong profit generation
- Excellent growth in Iberia, Poland, Sweden, Benelux & Switzerland
- Entry into Italy and Dubai during the period – both performing well
- Improvement in the conversion ratio by 270bps to 18.6%

**Continental Europe & Canada: Impact of investment**

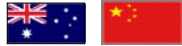
12 months ended 30 June	2005	New <sup>1</sup>	Existing	2006
<b>£m</b>				
Net fees	53.3	5.0	15.8	74.1
Net fee growth <sup>2</sup>		9%	29%	38%
Costs	(44.8)	(6.1)	(9.4)	(60.3)
Operating profit	8.5	(1.1)	6.4	13.8
Headcount	476	109	72	657

Typically 2 years to break even

<sup>1</sup> New offices and activities since 1 July 2004

<sup>2</sup> Growth rates at constant currency

## Asia Pacific



Year ended 30 June £m	2006	Growth
Net fees*	85.7	+ 31%
Operating profit*	41.7	+ 43%
Consultants	707	+ 38%

\* Organic growth at constant currency

## Asia Pacific - Summary

- Australia & New Zealand
  - Excellent performance across all specialist activities and all states
  - Strong performance in both temporary and permanent recruitment
  - Strong growth from Resources & Mining, HR, Legal and Sales & Marketing
  - Excellent regional conversion rate of 48.7% achieved (2005 – 44.4%)
- Successful organic entry into Hong Kong
- St. George's Harvey Nash fully integrated into the Hays Asia Pacific network

## Australia & New Zealand: Net fees by specialism

Year ended 30 June	Net fee growth	Net fee share
Accountancy & Finance	+ 22%	41%
Construction & Property	+ 27%	23%
Resources & Mining	+ 87%	10%
Information Technology	+ 30%	7%
Banking	+ 42%	7%
Other specialist activities	+ 40%	12%

## Hong Kong and China

### Acquisition of St George's Harvey Nash

- Good platform for entry into Chinese market
- Operates from Shanghai, Shenzhen and Guangzhou in China and an office in Hong Kong
- Operates both search and selection recruitment services with 40 consultants
- Experienced management team have remained with the business

#### Update

- Performance in line with expectation
- New office opening in Beijing

## Investment in new office locations

United Kingdom & Ireland	Asia Pacific	Continental Europe & Canada
Exeter	East Melbourne	Berlin
Birmingham	Brisbane	Milan
Galway	Maroochydore	Ottawa
Leeds	Camberwell	Barcelona
Hastings	Hong Kong x 2	Strasbourg
Keighley	Shenzen	Dubai
Macclesfield	Shanghai	Brno
Southend	Guangzhou	Wroclaw
Stafford		Wavre
Torquay		Rotterdam
Chesterfield		
Bishops Stortford		
Blackburn		
Hartlepool		
London x 4		

## Outlook

**Denis Waxman**

**Chief Executive**

## United Kingdom & Ireland - Actions

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- Appointment of a UK Managing Director
- Increase in recruitment consultants of circa 10%
- Increased focus on the London and South East markets
- Opening of 10-20 new offices
- Accelerate growth of new activities
- Increased focus on senior appointments
- Continue to grow managed service capability

## Continental Europe & Canada - Actions

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- Increase in recruitment consultants of 20%
- 15 new offices across the region
- Launch of executive recruitment across Europe
- Expansion of German temporary business in Finance & Accounting
- Expansion of specialist activities across French regional office network

## Asia Pacific - Actions

- Increase in recruitment consultants of 15%
- New offices in Singapore and Beijing
- Expansion of major offices in Australia
- Aggressively target the temporary market
- Expansion of the newer specialist activities - Legal, Sales & Marketing and Human Resources
- Start up of new specialist activities - Oil & Gas, Manufacturing & Operations and Healthcare
- Launch contingent recruitment business in mainland China

## Current trading (July & August)

	Like-for-like growth*
United Kingdom & Ireland	+ 6%
Continental Europe & Canada	+ 37%
Asia Pacific	+ 28%
Total	<u>+ 13%</u>

- Investment in recruitment consultants and new offices in all regions
- Strong performances continue in Asia Pacific and Continental Europe & Canada
- Modest margin erosion

\* Net fee growth in July and August 2006 at constant currency and excluding acquisitions

**APPENDICES**

**Appendix I - Segmental summary**

Year ended 30 June £m	2006 Net fees	2006 Operating profit	2005 Net fees	2005 Operating profit
United Kingdom & Ireland				
Accountancy & Finance	158.0	67.6	149.0	63.9
Construction & Property	101.6	41.5	97.0	38.7
Information Technology	30.7	11.0	29.3	10.0
Other specialist activities	88.1	17.4	79.4	17.3
	<u>378.4</u>	<u>137.5</u>	<u>354.7</u>	<u>129.9</u>
Continental Europe & Canada	74.1	13.8	53.3	8.5
Asia Pacific	85.7	41.7	62.6	27.8
	<u>538.2</u>	<u>193.0</u>	<u>470.6</u>	<u>166.2</u>

## Appendix II - Like-for-like summary

Year ended 30 June £m	2005	Fx Impact	Acquisition Impact	Like-for- like growth	Growth*	2006
<b>Net fees</b>						
United Kingdom & Ireland	354.7	-	2.3	21.4	6%	378.4
Continental Europe & Canada	53.3	0.4	-	20.4	38%	74.1
Asia Pacific	62.6	2.8	0.2	20.1	31%	85.7
	<u>470.6</u>	<u>3.2</u>	<u>2.5</u>	<u>61.9</u>	<u>13%</u>	<u>538.2</u>
<b>Operating profit</b>						
United Kingdom & Ireland	129.9	-	(0.3)	7.9	6%	137.5
Continental Europe & Canada	8.5	0.1	-	5.2	60%	13.8
Asia Pacific	27.8	1.3	-	12.6	43%	41.7
	<u>166.2</u>	<u>1.4</u>	<u>(0.3)</u>	<u>25.7</u>	<u>15%</u>	<u>193.0</u>

\* Growth rates at constant currency

Specialist Recruitment hays.com

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## Appendix III - Recruitment consultant headcount

As at period ended	June 2006	December 2005	Growth since Dec 05	June 2005	Growth since June 05
United Kingdom & Ireland					
Accountancy & Finance	925	948	(2%)	971	(5%)
Construction & Property	805	749	+ 7%	778	+ 3%
Information Technology	150	148	+ 1%	165	(9%)
Other Specialist Activities	818	745	+ 10%	780	+ 5%
	<u>2,698</u>	<u>2,590</u>	<u>+ 4%</u>	<u>2,694</u>	<u>-</u>
Continental Europe & Canada	657	572	+ 15%	476	+ 38%
Asia Pacific	707	580	+ 22%	513	+ 38%
	<u>4,062</u>	<u>3,742</u>	<u>+ 9%</u>	<u>3,683</u>	<u>+ 10%</u>

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## Appendix IV - Office network

	Office locations	On-site locations	Back office locations	Total
At 30 June 2005	289	33	4	326
Opened	29	-	-	29
Acquired	8	-	-	8
Office mergers	(9)	(2)	-	(11)
At 30 June 2006	<u>317</u>	<u>31</u>	<u>4</u>	<u>352</u>

### New office locations:

United Kingdom & Ireland: Exeter, Galway, Hastings, Keighley, Macclesfield, Southend, Stafford, Torquay, Chesterfield, Bishops Stortford, Blackburn, Hartlepool, London (x4), Birmingham, Leeds

Continental Europe & Canada: Barcelona, Berlin, Ottawa, Strasbourg, Milan, Brno, Wroclaw, Wavre, Rotterdam, Dubai

Asia Pacific: Hong Kong(x2), East Melbourne, Brisbane, Maroochydore, Camberwell, Shenzhen, Shanghai, Guangzhou

## Appendix V - Business units

As at period ended	June 2006	December 2005	June 2005
United Kingdom & Ireland	460	443	423
Continental Europe & Canada	214	181	155
Asia Pacific	150	145	145
	<u>824</u>	<u>769</u>	<u>723</u>

101 new business units (+ 14%) since June 2005

## Appendix VI - Cash flow from operations and tax

Year ended 30 June	2006	2005
£m		
Profit from continuing operations	193.0	166.2
Profit from discontinued operations	-	8.4
Depreciation	6.7	8.8
Movement in employee benefits	7.6	3.9
Movements in working capital	<u>(24.2)</u>	<u>(26.0)</u>
	183.1	161.3
Tax paid	<u>(46.7)</u>	<u>(55.3)</u>
Net cash from operations	<u>136.4</u>	<u>106.0</u>

## Appendix VII - Cash flow from investing and financing

Year ended 30 June	2006	2005
£m		
Net cash from operations	136.4	106.0
Investing		
Net capital expenditure / receipt	(10.7)	(10.1)
Acquisitions	(28.4)	-
Residual	20.4	61.3
Financing		
Dividends	(56.7)	(53.4)
Own shares and buy-backs	(209.2)	(128.1)
Other	<u>6.9</u>	<u>11.2</u>
Movement in net debt	<u>(141.3)</u>	<u>(13.1)</u>

## Appendix VIII - Restatement of prior year net fees

Year ended 30 June 2005

£m	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	165.9	-	(16.9)	149.0
Construction & Property	103.6	-	(6.6)	97.0
Information Technology	29.3	-	-	29.3
Other Specialist Activities	55.9	-	23.5	79.4
	<u>354.7</u>	<u>-</u>	<u>-</u>	<u>354.7</u>
Continental Europe & Canada	53.3	-	-	53.3
Asia Pacific	62.6	-	-	62.6
	<u>470.6</u>	<u>-</u>	<u>-</u>	<u>470.6</u>

## Appendix IX - Restatement of prior year operating profit

Year ended 30 June 2005

£m	As previously presented	IFRS adjustments	Reclassified	Restated
United Kingdom & Ireland				
Accountancy & Finance	71.1	(0.3)	(6.9)	63.9
Construction & Property	38.9	(0.2)	-	38.7
Information Technology	10.1	(0.1)	-	10.0
Other Specialist Activities	10.5	(0.1)	6.9	17.3
	<u>130.6</u>	<u>(0.7)</u>	<u>-</u>	<u>129.9</u>
Continental Europe & Canada	8.5	-	-	8.5
Asia Pacific	28.0	(0.2)	-	27.8
	<u>167.1</u>	<u>(0.9)</u>	<u>-</u>	<u>166.2</u>

## Appendix X - Cost development and investment

Operating expenses £m	United Kingdom & Ireland	Continental Europe & Canada	Asia Pacific	Total
Year ended 30 June 2005	224.8	44.9	34.7	304.4
Movement	16.1	15.4	9.3	40.8
Year ended 30 June 2006	<u>240.9</u>	<u>60.3</u>	<u>44.0</u>	<u>345.2</u>
Operating expenses	+ 7%	+ 34%	+ 27%	+ 13%
Average consultant headcount	+ 2%	+ 31%	+ 26%	+ 11%

## Appendix XI - Other Specialist Activities: Origin of net fees

Banking & Financial Services	19%
Education	14%
Contact Centres	12%
Human Resources	13%
Legal	10%
Other	32%